

ADM
RARY

SEP 27 1949

Credit

and FINANCIAL
MANAGEMENT

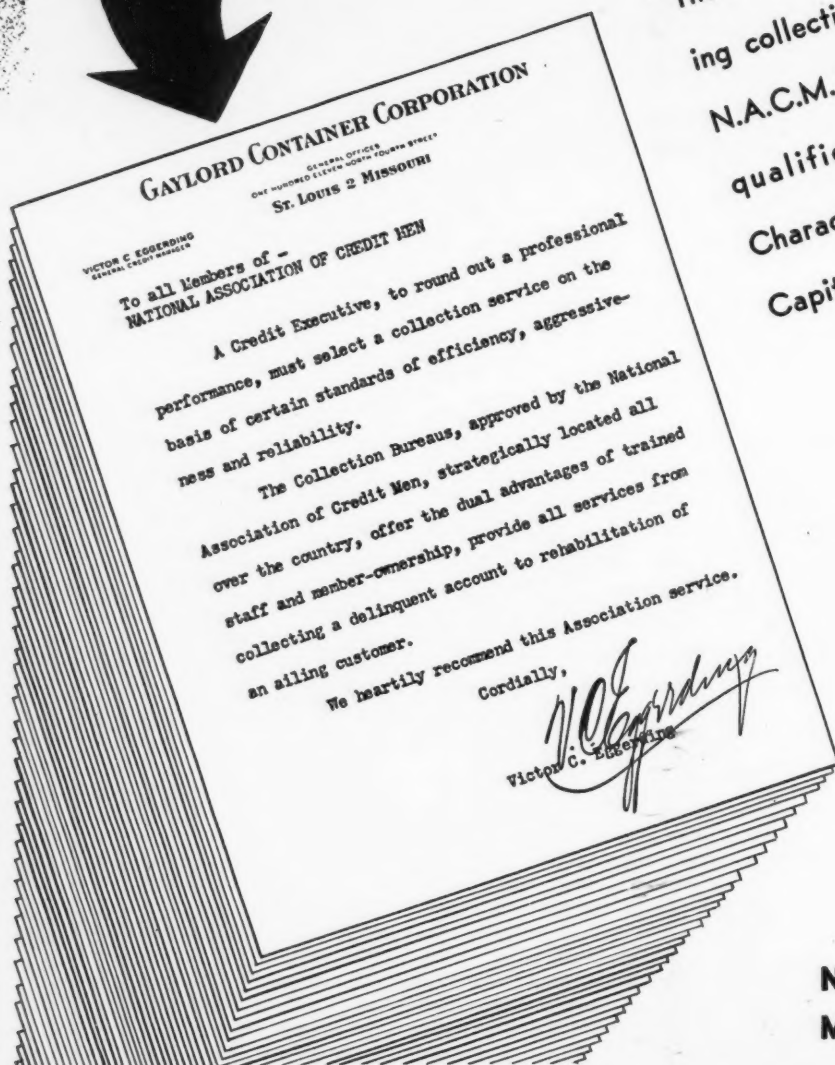


SEPTEMBER
1949

FIRE PREVENTION WEEK
October 9-15

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"HEADQUARTERS BEFORE WHITE PLAINS"

*Elijah Miller House
where Washington Planned
his Campaign*



his headquarters during the anxious period of the White Plains campaign and here he planned his army's strategic retreat into New Jersey.

Though a small village at the time of the Revolution, White Plains was of considerable importance as county seat and business center. The Declaration of Independence was given official reading from the steps of the old court house for the first time in the colony. As the Declaration changed the Colony of New York to the State, the court house is considered the birthplace of the State of New York.

Washington established his White Plains headquarters in October, 1776, and remained there until November 10th. The house was owned by the widow Ann Miller, whose husband, Adjutant Elijah Miller, had died a few months earlier. Standing just over the most northerly boundary of White Plains, it was a simple farmstead which had

GEORGE WASHINGTON'S slumbers often must have been uneasy during the nights he spent in the Elijah Miller house. Here he had

been built about 1738 and was enlarged by an addition in 1770.

During his stay at the Miller home, Washington occupied two rooms in the newer part, one of which had a door opening on the porch, thus making it possible for visiting officers to come and go without encountering the family. Built at the foot of a hill from which the last shot of the White Plains campaign was fired, the house had a secluded yet accessible location which made it ideal as a military headquarters.

Mrs. Ann Miller continued to occupy the house until her death at the age of ninety-two. This patriotic woman served her country long and well. Besides her husband, she lost her two sons to the cause of freedom. Both died on the same day of disease contracted in camp. In addition to making her home available to Washington, Mrs. Miller nursed many wounded soldiers there.



Old-time utensils adorn fireplace in family kitchen

Shaded by an ancient sycamore tree on which George Washington must have looked, the house he made his headquarters is now maintained by the Westchester County Park Commission and the White Plains Chapter of the Daughters of the American Revolution. Many fine Revolu-

tionary relics are on display. An interesting feature of the house is the cellar cut into the hillside where ammunition was stored for the troops encamped nearby.

Washington was again in White Plains in 1778 and in 1781. On the second of



Used to store ammunition

these visits the war had progressed so satisfactorily that he commented in a letter to one of his officers that the army "which was the offending party in the beginning is now reduced to the use of spade and pickaxe for defense. The hand of Providence has been so conspicuous in all this that he must be worse than an infidel that lacks faith and more than wicked that has not gratitude to acknowledge his obligations."

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Editorial



Back to School Once More!

IT seems to me that this year the peal of the school bell is of unusual significance. Millions of boys, girls, young men and women, will answer the call. However, the physical school facilities are hardly equal to the needs. The school staffs will be unusually burdened. Classes will be large. The educational programs will show too much variance from state to state. If there was ever a need for sound education, it is today.

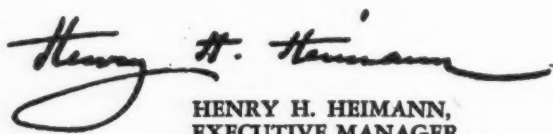
Among the many objectives of an education is the development of sound thinking. Can it be said that at any time in our history there was a greater need for logical thought?

We are living in an age in which propaganda has been developed to such a degree that unfortunately too much mass thinking is rife, and, therefore, too many erroneous conclusions take root.

Sound, mature thought is the result of a more leisurely application of reasoning processes. In these crowded days we are too rushed for serious and careful deliberation. In our wide, expanded economy, involving so many undertakings, there is inadequate time to concentrate on specific problems.

The scientific progress that has been made has contributed to a much higher standard of living but it has likewise made for many distracting diversions. Since the future of the nation will depend upon the quality of leadership in generations to come, let us hope that the educators impress upon their students the need of careful individual thought. A warning against accepting the result of mass thinking as a correct conclusion will not be amiss. If we can stimulate individual thinking on the great problems of the world, then the programs for world recovery and world peace will rest upon firmer foundation.

Every man and woman should be exceedingly conscious of the great responsibilities of our educators and should not only show them the deference and respect which they so richly deserve but should frequently contact them and exchange views. A better understanding of the school program by all people is definitely in the nation's welfare.


HENRY H. HEIMANN,
EXECUTIVE MANAGER

COMING EVENTS

October 13-15

Southeast Conference
Memphis, Tenn.
Tri-State Conference
Albany, N. Y.



October 14-15

Ohio Valley Regional
Conference
Dayton, Ohio



October 20-21

Tri-State Conference
Sioux City, Iowa



October 19

Illinois State
Conference
Chicago



October 21-22

Mid-west Credit Women's
Conference
St. Louis, Mo.



October 28-29

Tri-State Conference
St. Joseph, Mo.



November 29-30

New England Conference
Providence, R. I.



1950

March 3-4

Eastern Division Secretarial
Conference
Washington, D. C.



March 17-18

North-Central Credit
Conference
St. Paul, Minn.



May 14-18

54th Annual
Credit Congress
Biltmore Hotel
Los Angeles, Calif.

Credit

and FINANCIAL
MANAGEMENT

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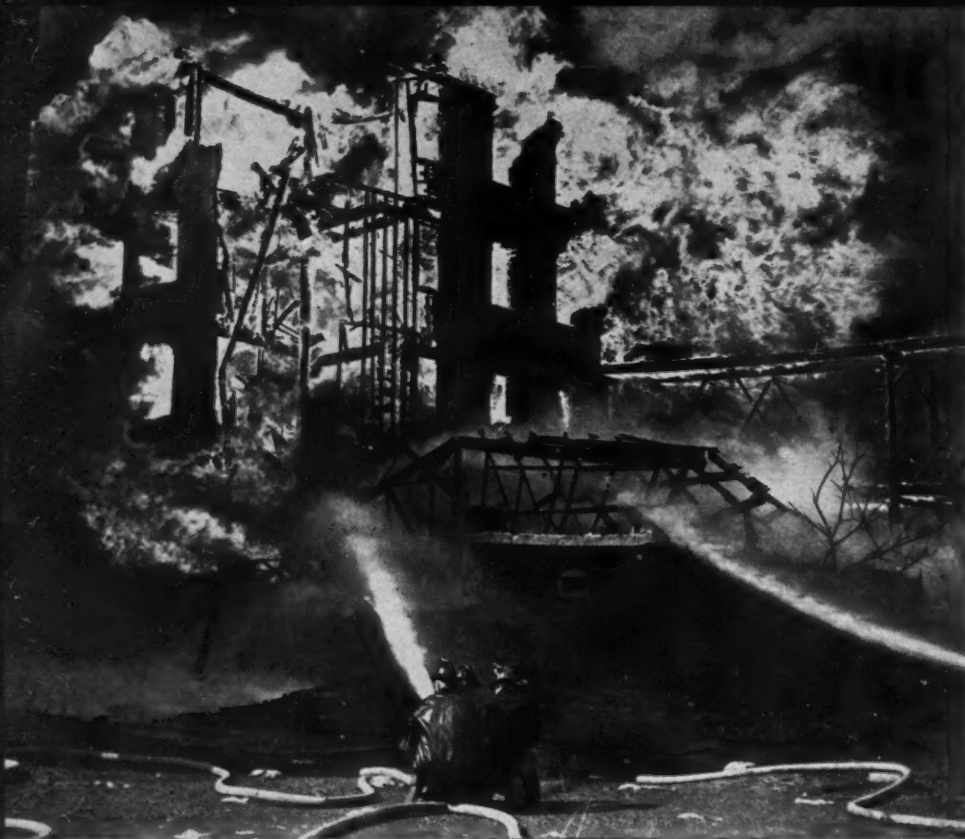
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Midwestern Area—

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Fires are not only expensive and wasteful. They are inexcusable. This fire was probably the result of carelessness on somebody's part—the worker for not obeying fire safety rules, or the boss for not laying down safety rules for the worker to obey, or for not having adequate fire-fighting equipment on hand. Look at the picture on the front cover. That fire occurred in Rochester, N. Y., last June. It consumed a scale manufacturing plant, a war surplus warehouse and a woolen storage plant. The smoke blanketed almost the entire town. And the tragic thing is that it could probably have been avoided.

Poor Housekeepers Make Poor Credit Risks

by JOHN J. O'TOOLE

Chairman, Fire Safety Committee, National Association of Insurance Agents

WHEN passing on credit, in addition to the financial structure, chance of success, experience in the business, and the like, do you take into consideration what I think is one of the most vital points affecting a man's credit, "carelessness and poor housekeeping"? A business man might be making a wonderful success, everything he touches turns into gold, but his carelessness, together with poor housekeeping around his place of business, could mean the difference between success and failure.

Fire is no respecter of persons; when kept under control, it is one of the greatest servants of mankind, but if allowed to get out of control it can very easily wipe out the savings of a lifetime.

Sure you have checked into the question of insurance, and after consultation with some responsible insurance agent or broker you decide he has the proper kind and amount,

but in my years of experience a fire always means the loss of considerable business, the customers are compelled to buy elsewhere and in many cases they never come back. It might seriously affect his financial rating.

If you will help in this nationwide campaign to reduce the loss of life and property, you will be accomplishing a very patriotic duty with a feeling of satisfaction that your customers will carry on for many years.

I'm not sure if you realize that each year in this country over ten thousand lives are lost from fire. You have read a great deal about polio and, no doubt, have given much of your time and money to try and control it. How much time have you given to fire safety? Last year two hundred children under six years of age died from polio, but—this might be startling to you—over two thousand children in that age group lost their lives from fire. Just think of it; ten times as many. That is why

we are trying to make people fire conscious. Business men should carry on a campaign for fire safety. We, insurance producers, are active along these lines because we are more conscious of the loss of life and property than anyone else except those who have lost a loved one.

MOST people think we are selfish, that we are trying to save money for ourselves and the insurance companies which we represent. An insurance company never loses money; as soon as the losses reach a point near the premium income rates are increased and, as far as the agent or broker is concerned, his income being derived from a commission on the premium volume, higher rates and premiums mean higher commissions, so if he were selfish, he would not exert himself in any way to reduce losses.

How about your own plant? Do you have a fire and accident safety

WHY FIRE PREVENTION WEEK?

Fire Prevention Week is set aside each year during the week in which October 9th falls to focus public attention upon our disgraceful loss of life and destruction of property by fire.

Fire Prevention Week is a time when every community in the United States and Canada can dramatize the need for fire protection and fire prevention. To be fully effective, Fire Prevention Week should be utilized as the starting point for year-round fire prevention activity by public officials—in the schools—in the factories and stores—by the Fire Prevention Committee of the Chamber of Commerce and by all civic organizations working for the betterment of the community.

committee, and, if so, is it functioning? Do you give prizes for the best suggestions to save life and property? Do you have your agent supply you with fire prevention posters for your bulletin board? Have you asked him to make an inspection, and give suggestions for removal of hazards in connection with your plant?

Back in 1371 in Paris, the police

regulations provided that each householder was bidden to place a hogshead of water at his door. We hope that it will not be necessary to do this in this country today. Then again, it might make the public fire conscious.

Your insurance agent can secure a speaker and moving pictures to appear before any group interested. Approximately 90% of our fires are

due to carelessness and, therefore, avoidable. The American people for some reason are negligent. Just look at the result—each day throughout the year 28 people die and 57 are severely burned or disfigured for life, 700 homes burn; fires occur in 130 stores or mercantile establishments, 100 factories, 7 churches, 7 schools and 3 hospitals.

Will you help to stop it?

Great American Conflagrations

1871 Chicago	17,000 buildings	\$168,000,000
1872 Boston	776 buildings	75,000,000
1904 Baltimore	80 city blocks	50,000,000
1906 San Francisco	28,000 buildings	350,000,000
1914 Salem, Mass.	1,600 buildings	14,000,000
1922 Astoria, Ore.	30 city blocks	10,000,000
1923 Berkeley, Calif.	640 buildings	6,000,000
1934 Chicago	Stockyards	5,000,000
1941 Jersey City	Waterfront	11,000,000
1941 Fall River, Mass.	Rubber Factories	11,000,000
1942 New York	SS Normandie	53,000,000
1944 Rockaway, N. J.	Warehouse	11,000,000
1944 Cleveland	Gas Plant	7,000,000
1945 Richmond, Fla.	Air Station	30,000,000
1946 Muskegon, Mich.	Business Buildings	2,000,000
1947 Texas City, Tex.	Waterfront Explos.	67,000,000

U. S. Fires That Have Caused Greatest Loss of Life

	Dead
1908 Collinwood, Ohio, School	175
1911 New York City Shirtwaist Factory	145
1918 Minnesota Forest Fires	559
1929 Cleveland Hospital	125
1930 Columbus, Ohio, Prison	320
1934 SS Morro Castle	125
1937 New London, Texas, School	294
1940 Natchez, Miss., Dance Hall	207
1942 Boston Night Club	492
1944 Hartford, Conn., Circus	168
1944 Cleveland Gas Plant	130
1946 Chicago Hotel	61
1946 Atlanta, Ga., Hotel	122
1947 Centralia, Ill., Mine Explosion	111
1947 Texas City, Tex., Waterfront Explosion	468
1949 Effingham, Ill., Hospital	74

GIVE almost any clerk or bookkeeper on the Marsh Steel Corporation's office staff about two minutes and he can come up with a detailed picture on any phase of the firm's accounts receivable, credits or collections.

And it will be a picture in the fullest sense of the word—photographic and factual to the last decimal and the latest charge or payment.

Pioneering in a new method of "bookless bookkeeping," this North Kansas City, Mo., steel and aluminum products distributor uses cameras, cards and duplicating devices. By means of these, the company has eliminated virtually all paper work in connection with the handling of its accounts receivable controls, and has put its payment performance records on a *constant flow* basis, so that full and up-to-the-minute information is always available to the executive branch, the credit department, the accounting section, and the sales division.

The *flow* is maintained by means of visible index (I. V. I.) cards on a series of panels. For transcribing periodic or permanent control records from the cards and panels the firm uses a Remington Rand Dextragraph camera (photocopying) and a Film-a-record (microfilming) system. Once the account cards have been set up, all transcribing, proofreading and checking is eliminated, since information for permanent records or for supporting documents to the accounting section are taken off simply by photographing the panels at various stages.

THE mechanics for the card-and-camera procedure at Marsh Steel are set up with the order writing and billing routines at the home offices. The order writing and billing procedure is handled by a direct duplicating process. Eight copies of invoices are required for various office procedures, and these as well as the customer's copy are run off from a master copy. In addition the master copy is used for the preparation of analysis slips that serve to create the perpetual inventory record and for sales analysis statistical recapitulations which are prepared both by product and by sales territory breakdowns.

Then, as a final run before the master copy is removed from the

duplicating machine, two die-cut I. V. I. cards are run through, to pick up the customer's name, the invoice date and number, and the amount of the invoice, all on a single line along the top edge of the card and in the order named. In addition to the information which is picked up for the visible index edge of the cards, they also show all of the other information on the invoice heading, including the terms of sale, the routing of shipment, the f.o.b. terms, and whether the shipment was to go prepaid, collect, etc.

THE two cards bearing the invoice information are next sent to the accounts receivable section

of the bookkeeping department, where they are separated by the accounts receivable clerks into two groups. One of these groups serves as the alphabetic copy of the accounts receivable, and the other becomes the numeric copy. The groups are totaled for the day and balanced back to the total invoicing for the day as compiled by the regular bookkeeping section.

The numeric copies of the cards taken from the billings for each day are "posted" by inserting them in sequence by invoice numbers on the special panels adapted to receiving these cards. In filing the cards on the numeric panels there is a break created between months

How photography can m

by LEE G. HIGDON

Comptroller, Marsh Steel Company, Kansas City



Marsh Steel Corp. Comptroller Lee Higdon and his secretary check some accounts receivable on a Visible Index panel with Dextragraph "photo-bills."

minimize routine paper work

by inserting blank cards, and each group for its respective month bears the title of the month. With the filing of new invoicings in this manner and the removal of items as payments are received, the cards on these panels represent an age listing of accounts receivable by months, in chronological order and by invoice numbers in consecutive order, from the oldest to the most current open item.



A Marsh Steel Corp. clerk is inserting a new I. V. I. accounts receivable card into a panel which is mounted on a stand containing thousands of such bookkeeping records.

Control tapes are taken for each panel and as new items are added to the numeric panels, or as items are removed when a payment is received, these control tapes are corrected, so that the sum total of the control tapes is the total outstanding accounts receivable at any given time. The control total on the numeric panels is checked with similar control tapes for the alphabetic panels, which in turn must balance with the general ledger control.

At the close of each month the panels of cards representing open items in the numeric sequence are photographed on the Dexigraph. This is done after the panels have been balanced to the other controls, and these photographs result in an aged list of the company's accounts receivable as of the end-of-the-month statement period. However, since the panel is maintained on a fully current basis daily, it is possible to have an age list of accounts receivable, virtually on a moment's notice.

SO much for the phase of the operations involving the panels with their cards in numeric sequence. The handling of the panels with the cards arranged alphabetically is as follows:

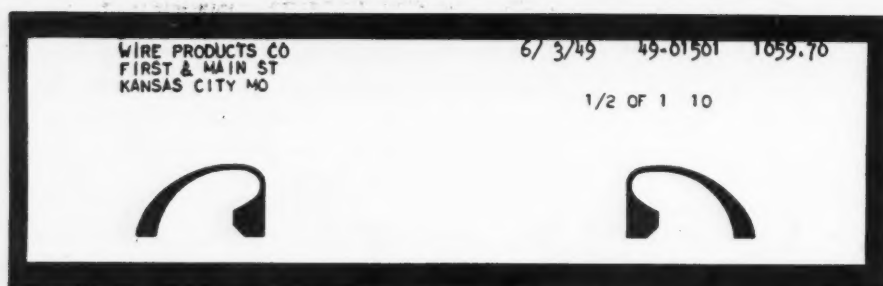
When the second set of cards taken from the invoice duplicating master copy is first sorted in alphabetic order by customers, it is then arranged on another group of panels, with the individual cards

MARSH STEEL CORPORATION 1070 KANSAS CITY, MO. ACCOUNTS RECEIVABLE ALPHABETICAL			
JUNE 15 1949			
A. B. C. MACHINE SHOP	6/15/49	48-01200	\$45.47
A. B. C. MACHINE SHOP	6/15/49	48-01200	\$104.34
ALUM. PITCHER	6/15/49	48-01202	\$10.00
B. & C. STREET METAL WORKS	6/15/49	48-01204	\$1.00
B. & C. STREET METAL WORKS	6/15/49	48-01205	\$7.27
B. & C. STREET METAL WORKS	6/15/49	48-01207	\$0.00
BROWN ENGINEERING CORP.	6/15/49	48-01210	\$10.00
COLE ENGINEERING CO.	6/15/49	48-01209	\$75.00
COOKING OIL	6/15/49	48-01208	\$12.34
F. D. W. MACHINE & PAINT CO.	6/15/49	48-01210	\$10.00
ENGINEERING MACHINE & CO.	6/15/49	48-01205	\$101.00
ENGINEERING MFG. CO.	6/15/49	48-01206	\$0.00
ENGINEERING MFG. CO.	6/15/49	48-01208	\$13.14
PAINTS SPECIALTIES CO. INC.	6/15/49	48-01210	\$100.00
PAINTS SPECIALTIES CO. INC.	6/15/49	48-01207	\$10.00
PAINTS SPECIALTIES CO. INC.	6/15/49	48-01208	\$1.00
PAINTS SPECIALTIES CO. INC.	6/15/49	48-01211	\$10.00
S. & S. TRUCK ENGINEERING CO.	6/15/49	48-01209	\$1.00
STEEL STREET METAL SHOP	6/15/49	48-01211	\$4.00
TECHNICAL MACHINE SHOP	6/15/49	48-01211	\$12.00

This is a reduced-size picture of the Record Dexigraph photocopy made from a typical Marsh Steel Corp. Index panel. The alphabetic photocopy, such as this, is the reproduction of items on which periodic statements have been sent to customers.

for each customer arranged by invoice number and date. Two blank cards are set into the panels between the card or groups of cards for each customer, again to make for ready identification.

As new invoicings are posted to the alphabetic panels, the control tapes are changed to include the new amounts, and the sum total of the tapes for all the alphabetic panels is balanced back to the tapes for the numeric panels and to the general ledger control of accounts receivable. By posting current billings daily and removing cards representing items paid, these



Here is a closeup of a typical visible index (I.V.I.) card ready for insertion in an accounts receivable panel for photocopying. The black "collars" in the lower portion are the slots by which the individual cards are held in place on the panels.

panels always give a complete picture of the current standing of the customers' accounts, with open items only.

The alphabetic panels are photographed on the 15th and the last day of the month, the dates on which the Marsh billing section sends out accounts receivable statements. Representing as they do the exact status of the panels on statement days, the photocopies made on those dates can be referred to at any time later on, should question arise as to any item covered by a statement.

The advantage of the 15th and end-of-month photographing of the panels can be readily appreciated: there is need for a permanent record of the account status at the time of issuing statements, and any other method of taking it off would involve manual copying, machine operation and checking or proof-reading.

In addition to providing the permanent record, these semi-monthly Dexigraphing operations provide the supporting documents for the credit department. The same photocopies are used by this section to post credit cards which the company maintains on each customer.

THE extent to which the panel-and-photocopy procedure cuts down paper work is perhaps nowhere more graphically illustrated than in its use in setting up daily control records of payments. As checks are received from Marsh customers in payment of their accounts they are arranged alphabetically and then the corresponding I.V.I. cards are pulled from the open-item panels and placed in sequence on special panels.

Upon removal of a card from the open-item panel it is stamped "paid", and if any discount has been taken

by the customer, this is shown on the card in a designated position. The re-filling of the "paid" cards on the special panels results in a listing (again alphabetical and by consecutive invoice number and chronological date) of all of the items paid on a particular date. The panels are placed on the Dexigraph and the photocopies taken then represent a full listing of items paid each day. These prints represent the supporting detail for posting of the cash receipts journal of the credit to accounts receivable, the debit to discounts allowed and the debit to the bank account.

When this simple processing of the payments has been completed a regular deposit slip is typed up for the checks to be deposited that day, in alphabetical order by customer. This deposit slip shows the bank transit number of the customer's check and the amount of the check. Thus it is an easy matter to asso-

ciate the net amount of the check deposited with the group of items being paid by that particular check, as represented by the photocopy of the items paid that day as shown on the special card panels.

WHEN the photocopying and preparation of the deposit slips is finished, the cards are removed from the special panels and placed in file drawers in alphabetical order by customer's name and by consecutive order number of the invoices and chronological order by payment date.

Accumulated in the file drawers for one year, the cards representing paid items are then photographed on microfilm (Film-a-record). The resulting 12-month payment performance record thus created by this second photographic process represents a ready reference file of customer purchases, and these microfilm files are used both by the credit and collection section and by the sales department.

So much for the mechanics of the Marsh "photographic bookkeeping" procedure. From the standpoint of the staff, the new methods involve little or no difficulty, and except for simple darkroom developing activity, there are no operations or routines which require special skills or training. In fact, all training has been on-the-job and of brief duration.

(Continued on page 20)

FAST AND FAR IN FOUR YEARS

The steel and aluminum warehousing and distribution industry is an important factor in the industrial picture of America.

About 17 percent of all the steel produced in this country during the past decade has been distributed to consumers by concerns like March Steel Corp.

There are now some 1,200 such distribution centers in the country, serving more than 250,000 customers. These distributors constitute the mills' second largest customer group, being topped only by the automotive industry.

Marsh Steel Corp. was organized in July, 1945, when a small building was leased in North Kansas City, Mo. The tremendous, immediate growth within a year necessitated start of work on a large, modern warehouse building, properly equipped with the latest in handling and shipping equipment facilities. The warehouse now occupied by the concern was completed in 1947. This plant covers more than three acres, and represents an investment of considerably over a million dollars in buildings, equipment and inventory.

The concern has a staff of 130 employees. Its inventory comprises a wide assortment of carbon steel, alloy steel, stainless steel and aluminum products used by large and small industries throughout a ten-state Mid-West trade area.

On Current Liabilities,

Inventories and Compensating Ratios

by ALBERT F. CHAPIN

Professor of Finance, New York University

CREDIT analysts in their eagerness to see and analyze a customer's balance sheet may not realize of what little importance the customer himself regards it. The emphasis is placed on the income account by both the accountant and management. The accountant is concerned that the income account shall correctly portray the operations, and record the results, of the business. Management carefully studies its past operations to see if it can improve upon its present record. It gives scant consideration to the balance sheet and it is quite probable the balance sheet would receive no attention were it not for certain general standards required by creditors. Many businesses would benefit if they would periodically ask for and could get, from their own credit manager, an honest and unbiased criticism of their financial statement. Financial difficulty might be avoided if the criticism were heeded. Credit managers know what, in a financial position, causes apprehension of creditors and that a lack of confidence among creditors may be as serious as a lack of good will among customers.

True, the controller or treasurer should be, and if he came up through the credit department undoubtedly is, as good a financial critic as the credit manager, but it may be difficult for the treasurer or controller to make the cold critical analysis which the credit manager is wont to

make. The treasurer, or other financial officer, lets his inside knowledge and the needs of his business influence his judgment. His analysis is too subjective. He finds it difficult to reach the cold objectivity of the credit manager.

RELATIONS between a business and its creditor, good as they are in general, might be improved if the business financial management would be more concerned about its financial position, and relations might be further improved if its income statement were made available to its creditors for use in analysis.

It is regrettable that income statements are not generally available to creditors. Income statements show the allocation of use of income. They do not, except indirectly, show whether or not income is adequate. Adequacy of income is best measured against net worth, inventory, receivables and other items of the balance sheet. With these sales and balance sheet relationships, credit analysts are familiar, and they readily recognize the inadequacy of sales when that condition exists. If sales are in proper relationship to balance sheet items gross profit should be sufficient to cover expenses.

But further analysis is necessary to determine whether or not the business can meet its terms of purchase with its payments. Particularly important are the expense items

for they represent, practically if not legally, the preferential claims on income. When an allowance is made for those expenses which present the first demand on cash, what is left is available for retirement of accounts and notes payable. In a trading concern, whether wholesaler or retailer, the cost of sales and the gross profit approximately divide the income into the portion available for the payment of accounts and notes payable and the portion used to pay expenses.

BUT they do so only approximately. The analyst is particularly interested in those expenses which present a demand on cash. If he is supplied with an income statement showing these items he is able more accurately to estimate the amount available over the period for the payment of accounts and notes payable.

The following somewhat condensed income account of a wholesaler of general merchandise will illustrate the point. (Page 10.)

In this illustration there should be deducted from the cost of sales the freight and hauling item of \$54,442. To the resultant figure \$1,903,272 should be added the depreciation \$9,485, which is not a cash outlay, and the net profit \$91,748 less any dividend payments and capital expenditures. The resultant figure \$2,004,505 is approximately the amount available throughout the year for the payment of accounts

Net Sales		\$ 2,504,942
Inventory Opening	\$ 769,540	
Purchases	1,932,802	
Freight & Hauling	54,442	
	<u>\$ 2,756,784</u>	
Inventory Closing	799,070	
Cost of Sales		<u>1,957,714</u>
Gross Profit		547,228
Selling and Adm. Exp.	\$ 399,151	
Depreciation	9,485	
Credit Losses	17,363	
Interest	29,481	
	<u>455,480</u>	
Net Profit		<u>91,748</u>
Less Res. for Inv. Depr.		<u>40,000</u>
		<u>\$ 51,748</u>

and notes payable. This company's financial statement disclosed accounts and notes payable of \$247,117. Since the company had to pay \$247,117 and had available throughout the year \$2,004,505 it could pay the amount 8.1 times or every 45 days ($365 \div 8.1$).

If, as suggested earlier in this article, the computation is based upon the cost of sales plus the profit and depreciation the indicated turnover of payables is 44 days. If the meticulous analyst also takes into consideration the difference in the opening and closing inventories, he will find no significant change in the result.

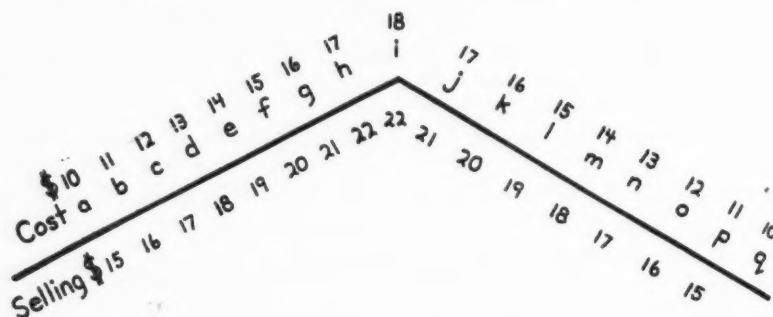
THE ratio of the sum available for the payment of current liabilities to actual current liabilities other than accruals and taxes is one of the valuable ratios for the analyst.

This ratio, like all ratios, must be interpreted with intelligence and due consideration taken of possible factors of error. The accounts payable at statement time may have been unusually large or unusually small. Seasonal position at statement date might throw them out of average. Unusually small collections just preceding statement date would cause an accounts payable accumulation, and too, expenses do not run evenly throughout the year.

But, equally valid criticisms may be made of the ratios of sales to receivables and sales to inventory. These ratios, determined from figures at the end of the year, may not

be typical of the subject's performance throughout the year.

Credit analysts become accustomed to criticize the various assets. The inventory is too large, there is too much tied up in fixed assets and too little working capital, and so forth. But assets never directly caused the failure of a business. It is its liabilities which get it into trouble.



They should not be ignored. Any information which will help the analyst to determine how they may be paid is valuable information.

Inventory Profits

HOW shall inventory be valued is a question on which there is still much disagreement among accountants and business men. Whether it should be valued at cost or market, or average cost, fifo or lifo, base stock with never changing value, at cost with reserves to show its expected depreciation, or some other method—all have their advocates and all have their effect on the balance sheet and particularly on the profit and loss statement. Un-

doubtedly, accountants today are greatly influenced in their thinking by laws and regulations governing federal income taxation. The method of valuing inventory affects the amount of profit and so taxes.

Profit may be determined beyond peradventure of doubt only upon the liquidation of a business. If a man puts \$10,000 into a business and over the period of operation and including its liquidation takes \$15,000 plus his expenses out of it, he had an indisputable profit of \$5,000. But as long as he remains in the business profits are determined by calculations based upon assumption, presumption or accounting conventions.

The purpose here is not to attempt to justify any particular method of inventory valuation but rather to illustrate the effect, in a period of rising or falling prices, of the "cost or market whichever is lower" method of inventory valuation. Many persons accept the fact that inventory profits may be illusory but many, too, do not see clearly why this may be so. There follows an illustration which attempts to clarify the fact.

IN THIS illustration it is assumed the cost of the first article sold, or the opening inventory, is \$10. Let it be assumed the actual expenses attendant to its sale are \$4 and that the owner wishes to make \$1 profit. This fixes its selling price at \$15. When sold our entrepreneur finds he has, after paying the expenses of \$4, the sum of \$11, whereas he started with \$10. But he now finds it will cost him \$11 to replace his inventory, because of the increase in price level and so he, perforce, invests his profit in inventory. He, therefore, increases his sales price to \$16 to cover his cost, his expenses of \$4 and his profit of \$1. Assume, this procedure is repeated

till we reach the letter H in the illustration. Mr. Entrepreneur may complain that he is short of cash but he has had a good turnover, business had been active and he has made a dollar on each sale (cost, plus expenses, plus \$1). After again renewing his inventory, now at a cost of \$18, the year is over and he makes up his P. & L. account as follows:

It is clear that if Mr. E. could have increased his selling price at any time over the price stated, he would have had a real profit equivalent to such increases, but at the end of the first year \$8 of whatever profit he had would have been the result merely of increase in the price level—a paper profit. Mr. E. could have realized that paper profit (in dollars, though not equivalent

increase in the price level. At the end of December, 1948, the commodity index stood at 162.2 (1926—100). Many businesses using cost or market in valuing their inventories have set up reserves in their 1948 statements to provide for inventory losses. The credit analysis might well set up a reserve for those customers who have not done so and test their credit worth on the basis of the reduced Inventory and Net Worth values. Of course, those who do not believe there is any deflation in the offing will ignore this suggestion. However, their attention should be called to the fact that the commodity index dropped from 162.2 at statement date (December 31, 1948) to 156.1 on April 27, 1949.

In those lines where forward commitments are customary, these may stand equally with inventory in importance. Not only may the business be confronted with the problem of working off a high inventory acquired at a high cost, but as rapidly as it is depleted, it is replaced at too high a cost. When and how business is to be done with these unprofitable commitments is a problem to its management and of concern to its creditors.

Compensating Ratios

STUDENTS of ratio analysis are often puzzled by what appear to be conflicting or nugatory ratios. One ratio is good, another is poor. Unless all ratios used are preponderately good or bad it may be difficult to interpret and appraise them. The problem can be solved only by the proper weighting of the various ratios and the good judgment of the analyst. Some ratios, considered in conjunction with each other, may be more aptly considered as compensating rather than conflicting. Credit managers know, for example, that a current ratio, unsatisfactorily low in itself, may be made acceptable by a high turnover of inventory or of receivables or of both. The reason for this is not difficult of demonstration.

For example, consider the two hypothetical business illustrated:

(The illustrations will be found on page 40 to which please turn.)

Sales	\$ 148
Inventory at beginning	\$ 10
plus purchases	116
Less Inventory at end	18
Cost of Sales	108
Gross Profit	\$ 40
Expenses	32
NET PROFIT	\$ 8

The books showed at the beginning:

Cash..... \$10	Mr. Entrepreneur, Capital Account	\$ 10
At the end of the year there appears:		
Inventory... \$18	Mr. Entrepreneur, Capital Account	\$ 18

Business is now resumed but much resistance is encountered over the new selling price of \$23 and Mr. E., when he learns he can replace his inventory at \$17 decides to cut his selling price to \$22. He decides to save his profit through replacement cost (replacement cost \$17 plus expenses \$4, plus profit \$1, which is his new selling price of \$22). But he finds that while he can replace his inventory at \$1 less he has to cut his selling price \$1. This continues throughout the year and he closes his books again. They reveal the following:

to dollars at the beginning of the period) by a final liquidation of his inventory. But, most businesses do not liquidate. They have to continue if they can and as long as they can.

THE purpose of this illustration was to show that a profit arising from valuing the same inventory at a higher price may be at the least illusory and it may be disastrous if the profit is disbursed through taxes and dividends. But, there may be a warning in the illustration for credit analysts. Over the last several years, there has been a considerable

Sales	\$ 148
Inventory at beginning	\$ 18
plus Purchases	116
less inventory at end	10
(market which is lower)	
Cost of Sales	124
Gross Profits	24
Expenses	32
NET LOSS	\$ 8.00

Mr. Entrepreneur promptly liquidated his closing inventory and his account now stands:

Cash \$10,	Mr. E.—Capital Account \$10
Obviously, Mr. E is now a richer man—in experience.	

CREDIT APPRAISAL

in absence of financial details

by I. L. HILLMAN

Credit Manager, Dravo Corporation, Pittsburgh

MUCH has been written on methods of financial statement analysis, ratio analysis and valuation appraisals, but very little is to be found on the subject of "Credit Appraisal in Absence of Financial Details." The foundation material must be drawn from the experience and the imagination of those persons charged with the responsibility of assembling the facts and making the credit decision. There are many angles to this subject and it is difficult to determine where to begin or what line of approach will most adequately cover it in allotted time. To most seasoned financial executives this paper may cover some procedures that are familiar but it will serve as a review of the methods involved, and may suggest at least one new approach.

A logical development of this subject passes through three definite stages:

1. The preliminary survey by the credit investigator.
2. The follow-through by the salesman.
3. The evaluation of data by the credit investigator.

In the preliminary survey, the credit investigator is governed by five general factors in determining the extent of the investigation required: the credit policy of the investigating company; the size and purpose of the order; the nature and function of the business to be

investigated; the length of time in business and the "business cycle" of the industry.

HOW far a credit investigator will go in his examination before deciding whether the risk is satisfactory is influenced by his company's credit policy. A liberal policy, connoting as it does a lower standard, requires less than average investigation. A strict or close policy, on the other hand, requires more than average investigation. Credit policy in turn is influenced by the gross and net profit margins of the business, the amount of the average sale and the potential amount of the account after credit has been established. The last point is determined by the velocity of sales.

The amount of credit required influences the scope of the investigation. A large order, involving a substantial amount at risk increases the credit hazard, and requires more scrutiny of the customer's credit potential than does a small order. A knowledge of the purpose for which the goods ordered are to be used is also vital. It is useful to know if they are for stock and subsequent resale; for immediate resale; for end use of customer; or for a construction project on which the buyer is the general contractor, a sub-contractor or a materialman.

The extent of the investigation is also affected by the nature and func-

tion of the business. For example, credit investigations in the food industry are quite different from those in the electrical appliance field or in the oil industry, or again in the contracting business. The function performed by the concern under investigation in the distribution system also controls the scope of the investigation. The problem varies when our prospective customer is a manufacturer selling direct to consumers, or selling through distributors, or when he is a jobber or a dealer. Each kind of business presents its own credit hazard.

The length of time in business is another powerful factor in expediting or retarding the investigation. It is much easier to obtain information on a business of long standing than on one operating for a relatively short period, or on one that is entering the field.

THOROUGH consideration should be given to the relative position of the industry in the "business cycle." It is common knowledge that all firms do not pass through each of the four phases of the cycle simultaneously. Some are enjoying prosperity while others are at the crisis. Some have reached the stage of recovery while others are sinking low in the depression. The thorough analyst must weigh conditions as they exist and intelligently project them into the future.

Basically, however, the purpose

and the issue will be the same. The credit investigator must endeavor to obtain all the facts he considers necessary to appraise the risk intelligently and to determine whether it should be accepted or rejected.

Many of the above factors will have to be considered in every credit appraisal. The skilled investigator can readily determine which are relevant to the case at hand.

IN general the ultimate credit decision will be founded on three of the four basic "C's" or cornerstones of credit—namely, character, capacity and conditions. The effective development of these three "C's" in the analysis of a credit risk, upon which financial data are not readily made available, is determined principally by the ingenuity and resourcefulness of the credit investigator. A successful investigator must quickly recognize the revealing aspects of any situation and employ them in his work. He must be as alert as was the motorist in the following accident:

Two automobiles came together with a resounding clash. Although both motorists applied their brakes in time to prevent personal injury, considerable damage was done to each vehicle. The drivers crawled out of their respective cars and shakily approached each other. The first to regain his composure, said "Now there is no need to make a big fuss over this. Let's have a drink." Fitting action to word, he drew a flask from his hip pocket and proffered it to the other motorist who downed a stiff shot of Black and White Scotch. The first driver, in an apparently absent-minded manner, returned the flask to his pocket. "Don't you want a shot, too?" asked the other. "Oh, sure," was the reply, "but I am going to take it after the police have checked up."

PERHAPS the most interesting way to develop our subject is to present a hypothetical case and outline the steps that may be taken in its investigation and appraisal.

Let us assume that an electrical appliance distributor has an order from John Jones, a dealer, located in Salesman "X's" territory. The order came by mail. Salesman "X" had called upon his prospective customer several times, but had been

unsuccessful in making contact. He had, however, left sales bulletins, descriptive literature, etc. The value of the order is \$1,000 subject to standard terms of 1% ten days, net thirty days.

Our first step in the investigation is to draw a trade or credit report from our regular mercantile reporting agencies (whether general or special) and an interchange report from our local credit association. It develops that our credit agencies have meager information on Mr. Jones, as he has refused persistently to submit a balance sheet or other financial data either to the agencies or to his sources of supply. The Credit Interchange Bureau has no information in file.

The antecedent and trading information in the agency's report, while limited, will furnish us with basic data for developing a credit file. It will show the form of organization—whether a corporation, partnership, proprietorship, etc.; how long established; the nature of the business; and the names, approximate ages and a brief history of the principal persons at interest. If a corporation, it will show the state of incorporation, and usually the classes of stock authorized, the par value, if any, of each class, and the amount issued for cash or property.

EQUIPPED with this information, Salesman "X" should drop

around to thank Mr. Jones for his order and to obtain certain data needed in the appraisal of Jones as an acceptable credit risk. A specific procedure should be followed to acquire the needed information, so that all essential points will be included and none overlooked.

This procedure covers four definite steps.

First: salesman "X" makes a check of the general appearance and activity of the store.

Second: he attempts to secure diplomatically bank, property and trade information.

Third: he ascertains the extent of nearby trade competition, and

Fourth: he notes the advantages and disadvantages of the business location.

The general appearance of the store is frequently a mirror of the characteristics of the owner; consequently, the check should be thorough. Is the store neat, attractive and inviting, or disorderly and depressing? Is the merchandise new, of good quality, and of recent manufacture? Is it effectively displayed? Is it of standard make? Is there any indication of obsolete inventory and price cutting of standard brands? What is a rough estimate of the value of the stock carried? Is merchandise the only commodity or is repair service a function of the store, and if so to what extent? Is there evidence of brisk business activity in the store? How are the customers

650,000 Fires

There are about 650,000 building fires every year in the U.S.! Here is where most of them occur (according to latest available figures).

Dwellings	250,000
Stores & Shops	49,500
Manufacturing Plants	30,800
Apartments & Rooming Houses	54,000
Garages & Filling Stations	27,600
Hotels & Boarding Houses	10,400
Restaurants & Taverns	12,000
Theatres & Amusement Halls	4,400
Churches	2,600
Schools	2,400
Hospitals & Institutions	1,200

being handled? Are sales made for cash only, or is credit accepted also? Is it a practice to pledge or hypothecate receivables, and if so, who does the financing? By trained observation and skillful questioning, Salesman "X" can soon become expert in obtaining this sort of information.

THE second step in the procedure may require more diplomacy. Bank information and trade references are usually not hard to get from an established firm with a sound credit reputation. Hesitancy on the part of a prospective customer to supply them, may be a warning signal. A reliable concern seeking credit will answer most of the routine questions such as the name of the bank, or banks, used for depositories and other financial accommodations, as a matter of course.

If there is reluctance to divulge sources of supply, it is logical to assume that creditor relationship is strained. A merchant will usually disclose whether he owns the premises occupied, or furnish the landlord's name if he is a tenant. Unanswered questions are sometimes more revealing than replies given with intent to induce favorable action. Salesman "X" can be prompted to note particularly in this step of the investigation the reaction of the customer, or what might be properly classified as "customer attitude."

Step three covering the determination of the extent of business competition in the neighborhood assumes added importance if the firm under investigation has been established recently. A long-established, well-known store may weather aggressive competition, but a new store contending with firmly entrenched competition may be hopelessly swamped. The reverse may also be true if the new store contains more up-to-date merchandise and is operated by aggressive management using the most modern methods and a realistic pricing policy. If Salesman "X" knows his territory thoroughly, he will be cognizant of the kind and extent of the competition. It is a wise policy to determine the firm's attitude towards its competitors, and also the attitude of competitors toward the firm. Are its trade dealings fair, or is it reputed to resort to shady practices?

Worthwhile inferences can be drawn from these competitive "attitudes."

The fourth step relating to the advantages or disadvantages of business location, like the determination of competition, is a definite "must" where the concern is newly established. Customer preference will be affected greatly by the convenience and accessibility of the store. Location is important, too, from the standpoint of overhead and is ultimately reflected in operating results.

THE data thus obtained are then turned over by Salesman "X" to the credit department for further investigation, arrangement and appraisal. The Credit investigator studies and evaluates it, and thereby determines:

First: does Jones buy in logical markets from normal sources of supply?

Second: does he confine his purchases to a reasonable number of vendors?

Third: does he trade fairly?

Fourth: does he have a reputation for prompt payment, or is he habitually slow, and thus a potential credit hazard in the industry.

If Salesman "X" was successful in obtaining the names of Jones' banking connections, the credit investigator can phone his contact man at the respective banks and verify Jones' relationship with each — whether he carries a checking account only, or whether he is also a borrower on a secured or unsecured basis; the approximate average balance; whether the account is generally satisfactory or whether it is subject to frequent overdrafts; how long the bank has had the account and any other helpful information the bank can confidentially divulge.

If Salesman "X" was not successful in finding out where Jones does his banking, this information can usually be obtained from the trade references that are available. It is a simple matter to record the Federal Reserve number of all customers' checks on the duplicate bank deposit slip, and by referring to the "Key to Numerical System" of the American Bankers Association, published by Rand McNally & Company, quickly determine the name of a customer's bank. In our company, it is an ironclad rule that this is done, and we can easily tell whether

a customer is changing his banking connections or is using more than one depository. We all know the advantages of this information when an account becomes difficult and it appears expedient to draw a draft or resort to an attachment execution.

If the Agency report indicates that Jones is the owner of the premises which he occupies, the investigator can draw a property report which will show date of acquisition, assessed valuation for tax purposes and encumbrances, if any, (mortgages and judgments) of each piece of property located in the County. At the same time he can have the records searched for existing chattel mortgages, conditional sale contracts, leases, etc.

OUR investigator now having obtained information with respect to Jones' cash position and banking arrangements, his real estate holdings, paying habits, size of existing accounts with creditors, general reputation among the trade, etc., arranges this information logically and determines whether the risk is acceptable on the standard terms of 1% ten days, net thirty days. Should the risk fail to measure up to his firm's credit standards, then it will be necessary to contact the customer and arrive at a basis which is mutually agreeable for accepting the order. This contact may be made either by the salesman or the credit department, or jointly, by both. The latter method is preferable because it gives the credit department an opportunity to meet and discuss financial problems with the prospective customer.

The salesman, as a rule, cannot make a financial decision. He can only pass along to the customer the requirements which the credit department has set as a minimum for the acceptance of the order. If a representative of the credit department is present, with authority to make decisions, some satisfactory arrangement can usually be made immediately with the customer for accepting the order. This might involve securing a reasonable down payment, shipment of the order in installments, taking back a chattel mortgage, or otherwise reducing the risk to what his form has established as normal.

(Continued on page 20)

California's 100th Birthday Party

by ED AINSWORTH

Of the Los Angeles Times, Author of "Eagles Fly West" and "California Jubilee"

VISITORS to California in 1950 will share in one of the biggest birthday parties in history. Lucky indeed will be the delegates to the 54th annual Credit Congress in Los Angeles May 14-19, 1950, for they can witness a great and proud State commemorating the Centennial of its birth. Innumerable events are planned from San Diego to the Oregon border to mark the anniversary. Not only in community fiestas and festivals, but in larger and more significant observances, too, will the 10,000,000 present-day Californians revive the memories of their beginnings.

A State-wide Art and Literature Centennial, honoring painting and writing; a Music Centennial hailing composers and music patrons; an unparalleled series of pageants and celebrations will combine to present the California Story of the last century, and to project into the future the hopes and ambitions of the modern State.

California's Centennial Celebrations are unique.

Most States in the past have been content to observe such an occasion with a celebration lasting perhaps a week or a month or even a year. But California, characteristically exuber-

ant, will have rounded out five years of observances when 1950 has ended. The series of events began July 7, 1946, which was the date just one hundred years before when the American Flag was raised over the old Customs House at Monterey, and California became United States soil.

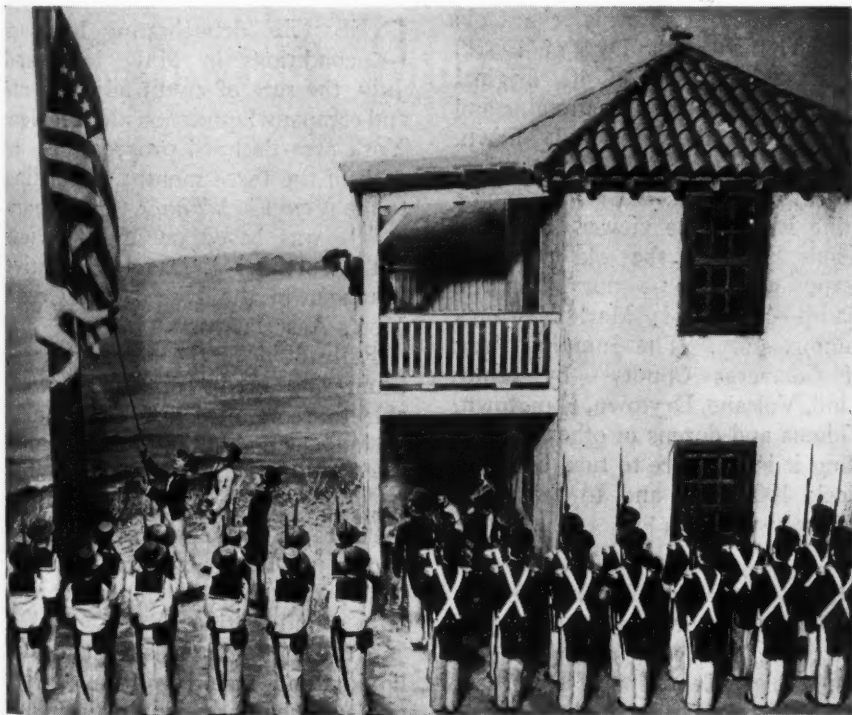
The necessity for a five-year observance leading to Statehood grew out of the key role which California played in the great drama leading up to the Civil War.

FROM 1846 to 1850, "the California Question" was the burning issue which crystallized many of the animosities between the North and the South, and by creating incurable cleavages made that Civil War inevitable. California was the flaming topic which brought Daniel Webster, Henry Clay and John C. Calhoun to the peaks of their oratorical powers in the most famous debates in American history.

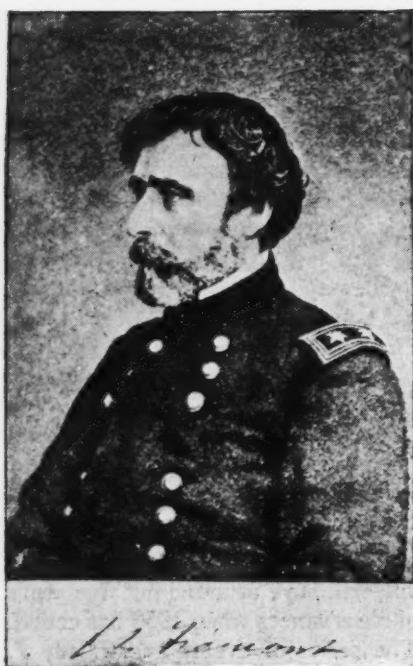
Few persons stop to realize now that at the moment California loomed as the next potential State of the Union, a precarious balance existed between North and South over the slavery question.

Fifteen States were "free" and fifteen were "slave." The practical political situation was that the selection of the next two United States Senators would swing the balance of power in the Senate. Both sides were fighting desperately to gain California; her votes meant the determination of the free or slave trend, perhaps forever.

A GOLDEN fate was shaping the events which led to the climax. On Jan. 24, 1848, a work-



This diorama in the California Gallery of Golden State History at the Los Angeles County Museum depicts realistically the scene at the old Customs House in Monterey, July 7, 1846, when California became United States soil.



Lt. Col. John C. Fremont, one of the leading figures in the story of the conquest of California.

man named Jim Marshall, building a sawmill at Coloma on the American River above Sacramento for Capt. John Sutter observed some yellow particles in the millrace. He picked them up. They were gold. The news leaked out.

Within 18 months almost 100,000 persons from all over the world had swarmed into California, maddened by the gold fever. This created an unprecedented situation in regard to California seeking admission as a State. Hitherto, an aspiring State under the tender nursing and tutelage of Congress had gone through a preparatory stage of being a Territory. Not so California. With a huge population gained almost overnight, the raucous new potential State stepped up and said bluntly, "We are going to have our own Constitutional convention; decide for ourselves the nature of our State government, and then we are coming into the Union on our own terms."

That, in effect, was exactly what happened.

California did convoke its Constitutional Convention on Sept. 1, 1849, at Monterey, in Colton Hall. The great issue was "free or slave?" Finally, after many days of maneuvering and debate, the question came to a vote.

The decision was "free."

This touched off in Congress the tempestuous debates that continued for almost a year. At last, on Sept.

9, 1950 came the final vote that admitted California as a free State.

In the cauldron during that time were brewed the poisons that boiled over a decade later in the outbreak of the Civil War.

OF the many notable figures who participated in the California story from 1846 to 1850, and afterward, few possessed the color and charm of Lt. Col. John C. Fremont. He helped in the conquest in 1846-47 and signed on Jan. 13, 1847 just outside Los Angeles the Treaty of Cahuenga which ended the Mexican War in California. Then, caught in the crossfire of military jealousies involving Commodore Robert F. Stockton of the Navy and Gen. Stephen Watts Kearny of the Army, he was court-martialed by Kearny, and convicted. Pardoned by President Polk, he nevertheless resigned and returned to California. He became the father of stamp-mill mining in California, his crushing mill at Mariposa, close to Yosemite, unlocking the golden treasures in the Mother Lode, the giant 100-mile-long quartz vein running through the mountains of Central California.

He also was one of the first United States Senators from California and, in 1856, became the first nominee for President of the newly-born Republican Party.

In modern California, the Gold Rush country of the Days of '49 still exists with much of its original charm in the wooded mountains and valleys along the road that is known, appropriately, as Highway 49. Starting at Mariposa, where Fremont's mine still can be viewed, the road winds through the old Fremont home place, to Sonora, Angels' Camp—locale of Mark Twain's famous story, "The Jumping Frog of Calaveras County"—by Jenny Lind, Volcano, Drytown, Hangtown, Coloma and dozens of others. Traveling it is a chance to turn back the clock 100 years and to reenter a leisurely world.

ALL of the events which went to make up her spectacular debut are being revived in California's Centennial celebrations. The State set up a commission headed by Joseph R. Knowland, publisher of the *Oakland Tribune*, Willard Keith and Sheriff Eugene W. Biscailuz of

Los Angeles, with George Heinz as executive secretary and Lloyd W. Mitchell as Southern California manager. About \$2,000,000 was provided as the State's share in the celebration costs.

Already presented have been the re-enactment of the Gold Discovery at Coloma, the celebration of the Gold Rush at Columbia, the recreation of the Constitutional Convention at Monterey and the marking of many historic spots.

But 1950 will be the climactic year.

The chief celebration will center of course at San Francisco on Sept. 9, Admission Day, and on Oct. 18 which was the date the news of Statehood reached California via the side-wheel steamer *Oregon* which came into San Francisco Bay firing a 31-gun salute to signalize that California had become the 31st State.

Throughout the State, something will be going on almost constantly during 1950 to celebrate the great event.

Visitors to the Credit Congress are certain to share in the spectacular California Centennials.

Bankruptcies Down In New York Area

DESPITE deteriorating business conditions in May, June and July, the rate of credit adjustments and company liquidations in the New York area declined progressively in each of the three months, according to the *New York Times*. The *Times* article was based on an interview with Mortimer J. Davis, Executive Manager of the New York Credit Men's Association.

Fully 30% of the companies encountering credit difficulties were able to reorganize and continue in business by making settlements ranging from 25 to 90 cents on the dollar, the *Times* continues. In almost all these cases principals of the companies involved were able to bring in new capital to put the enterprises on a sound footing.

Mr. Davis pointed out that other liquidations resulting from spring and summer operations may be due this month after full accountings of the season's activities have been analyzed.



"Stoplight" on rising office costs

TOO OFTEN the difference between "break even" and "broke" can be traced to inadequate and antiquated figuring, accounting and statistical machines in the office. Time and effort are wasted. Overtime mounts. Temporary help proves a costly stop-gap, and sound judgment is penalized by the lack of up-to-date facts and figures.

There's one sure answer to this situation—Burroughs business machines. They're fast, flexible and efficient . . . built to lend speed and accuracy to every phase of figuring, accounting and statistical work. Each model, from the simplest adding machine to big accounting machines that

practically "think for themselves," reflects Burroughs unmatched experience in *meeting* business needs.

You can streamline the figure-work of *your* business . . . stop rising costs and give progress the go-ahead . . . with the *right* Burroughs machines. Call your local Burroughs office today, or write to Burroughs Adding Machine Company, Detroit 32, Michigan.

WHEREVER THERE'S BUSINESS THERE'S

Burroughs



FINANCING PROBLEMS

as seen by the accountant

by DR. WILLIAM A. PATON
Professor of Accounting, University of Michigan

IT IS generally agreed that reported corporate profits for 1948 approximated 20 billions. The gross national product for the year is estimated at about 253 billions. Aggregate profits are thus about 8 per cent of the total output, not a very large fraction and only slightly above the corresponding percentage for 1940. The year 1948 was a year of a very high level of production. It was of course a good year from the standpoint of profits, but it does not follow that the profits of 1948 are in any reasonable sense excessive.

It is a well-known fact that in periods of advancing prices ordinary accounting methods tend to overstate actual profits and in periods of declining prices there is a corresponding tendency toward understatement. Those who have looked into this matter carefully estimate that if corporate profits for 1948 were stated consistently in terms of 1948 dollars (as a result of proper adjustment of depreciation charges and so on) the result would be several billions less than the 20 billions reported. This is an important point, particularly when profits are being compared with other group shares in the total production and questions of general reasonableness are being raised.

ALTHOUGH corporate profits are in a sense the earnings of the shareholders they do not represent the shareholders' take-home pay. For one thing, with the

present difficulties in the way of raising money through new stock issues, financing of expansion requires the retention of a large portion of the reported earnings in the business. Moreover, when dividends are distributed to the stockholder the amount is subject to taxation at the rates applicable to the respective individuals. It is the balance of dividends after such taxes that represents the take-home pay of the stockholder. It may be noted that no one has suggested a cost of living adjustment for the 12 to 15 million corporate stockholders of the country.

The most important point to bear in mind in any discussion of this question is the necessity for maintaining an environment that will attract risk capital—stockholder funds—if private enterprise is to carry on. As a matter of definition it might be said that profits are not excessive unless the earning potential of risk capital—common stock money—is more than sufficient to maintain an adequate flow of such capital into business. From this standpoint there is no evidence that an excessive earning potential exists. In fact, all the evidence is directly to the contrary. For nearly twenty years the flow of new common stock money has been nothing more than a

trickle and there has been no substantial improvement in recent years. The low level of common stock prices on the securities markets furnishes corroborative evidence. The plain fact is that investors are scared. They don't like the looks of the environment for risk money and hence they want to put any funds they have in bonds and other senior securities.

If one looks at the earnings picture of various groups in our economic society over the last 10 years he finds that the real earnings (purchasing power) of farmers and factory workers has increased 75 per cent or better whereas there has been no substantial increase in the real earnings of common stockholders or other investor groups. The plain fact is that the investor groups have been taking a beating relative to other important sections of our society.

THE only substitute for a buffer layer of risk capital in business is the tax power of the state. In other words, you can't have bond and preferred stock investments without a supporting element—someone who holds the bag. One of the clear roads to state socialism is the creation of an environment unfavorable to venture capital. If

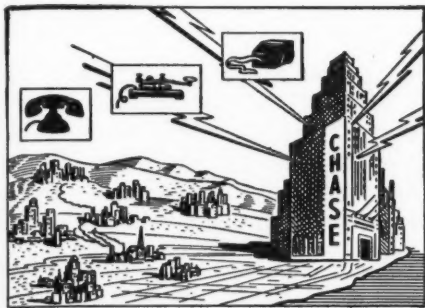
This article is a summary of the address delivered by Dr. Paton during the third general session of the 53rd Annual Credit Congress at Atlantic City, N. J. on May 18.

Speed

IS THE SYMBOL OF CHASE MONEY TRANSFERS

TIME IS MONEY

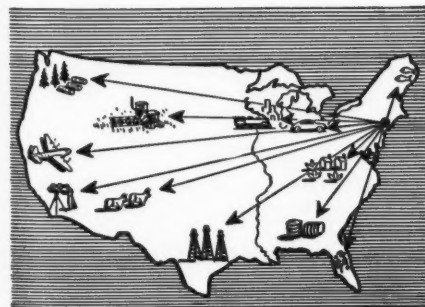
The rapid flow of money is dependent largely upon our modern methods of communication—telegraph, teletype, telephone and cable contribute to the pace.



The hub of the Chase Money Transfer Department is the transfer desk, through which orders for all funds either incoming or outgoing pass.



In a matter of minutes transfers are on their way to their destination. This efficient transmittal system makes available more rapidly the funds so vital to commerce and industry.



We welcome the opportunity of serving you with this efficient and well-planned method for the transmittal of funds.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

HEAD OFFICE: Pine Street corner of Nassau

Member Federal Deposit Insurance Corporation

U. S. Fire Losses

1940	\$290,000,000
1941	325,000,000
1942	315,000,000
1943	403,000,000
1944	456,000,000
1945	485,000,000
1946	580,000,000
1947	703,000,000
1948	*725,000,000

(* preliminary estimates)

venture capital is not forthcoming privately in adequate volume, sooner or later the state will step in and take the place of the common stockholder. We have been moving strongly in this direction for some years.

The fact that venture capital—common stock money—in a market economy does not have a guarantee of any fixed or stable return, but is rather the most exposed element of capital invested, needs emphasis in connection with discussion of the propriety of the present level of profits. Common stock money is not guaranteed anything. In many specific enterprises the stockholders never make any profit. In the more successful companies profits fluctuate with the ebb and flow of the whole economic fabric. There are good years and bad years. What is needed to attract capital of this type is an earning potential over the years sufficient to encourage the investor, not an assured, regular, stable return.

The tax structure has an important bearing on the investment and financing picture. Earnings of risk capital are especially hard hit by the prevailing tax program, which taxes such earnings in the hands of the stockholders' steward (the corporation) and again in the hands of the recipient shareholders. This unjust procedure—which chills the incentive to provide venture money—is quite in contrast to the peacetime tax structure prevailing earlier. Moreover, the development of severe taxation on upper-bracket incomes has drained off the funds that would otherwise be available for investment in common stock. Low income savers naturally want to invest in insurance policies and other con-

servative contracts; taxes absorb the bulk of the high taxable incomes that might reasonably be invested in risk capital.

REFERRING again to accounting methods, current financial statements understate the fixed assets and the stock equity of our corporations and over-state the earnings of the stockholders—from the standpoint of proper reporting in 1948 dollars—with the result that the error is compounded when earning rates are computed. Such rates as currently calculated are grossly inaccurate and misleading.

At the very least something should be done to permit corporations—in computing taxable income—to deduct depreciation costs expressed in current dollars, the same kind of dollars in which revenues and most deductions are expressed. In this connection a lesson can be learned from tax methods in vogue in some of the foreign countries which have experienced serious changes in the values of their monetary units.

CREDIT APPRAISAL

(Continued from page 14)

The steps taken in our investigation and appraisal of Jones' credit, reveal clearly the significance that character, capacity and conditions each have played in arriving at the credit decision.

I HAVE not touched upon the power that labor conditions and pending legislation exert upon credit appraisal. They also are important factors which must be given due consideration. Nor have I mentioned the progress of evolution which can gradually bring about the decay or displacement of an industry; or can cause its abnormal growth and expansion.

It is necessary to emphasize the effect that current conditions have on credit appraisal. Evidence of the transition from a seller's to a buyer's market is apparent in every direction. Therefore, market trends should be watched carefully, commodity indices checked, and reports of economic value scrutinized by the credit investigator to keep him informed of any predictable major change in the business cycle. We may

be entering a period wherein the decline in demand can affect seriously overnight the capacity to pay; wherein even sterling character and high capacity, invaluable "C's" of credit though they are, are in themselves helpless to stem the tide. It may be a period when conditions will create the main credit hazard.

Our own membership in the Credit Association of Western Pennsylvania is experiencing a noticeable increase in the number and size of delinquent customer's accounts which clearly demonstrates the impact of this "C" or cornerstone of credit.

The period which we are now entering may become critical. It demands that the credit manager be alert to rapidly changing conditions and cognizant of the need for thorough investigations. The ability to know how and where to get adequate, reliable facts is the paramount requisite of a credit executive. He must then be able to take these facts and project them into the probabilities of tomorrow. Like the weather prophet on the old-fashioned barometer, he must be out the door before the storm comes.

PHOTOGRAPHY

(Continued from page 8)

BOTH the Dextragraph and the Film-a-record (microfilming) camera are point-of-use machines, which means they can be moved alongside the desk or file and operated without special hook-ups, lighting or other special attachments. Light-tight film holders make removal of the exposed films easy and fool-proof, and the developing processes are speedy and inexpensive.

Marsh Steel Corp. executives feel that the principal values of the new methods are in the ease of handling and constancy with which the accounts receivable picture is made available. But there are definite savings to be noted, too, although just what these amount to cannot be established until detailed cost studies have been undertaken. However, whatever may be the exact factor there, the fact that there is already so clear a "plus" in the known factors to date has satisfied Marsh management that its photocopying and microfilming cameras belong in the accounting department.

45 State Legislatures Met During 1949

Many of them enacted new laws or amended old ones which will have a vital effect on the everyday transaction of business.

During the month of November the 1950 edition of the

CREDIT MANUAL OF COMMERCIAL LAWS

will come off the press. It will report all of these important changes in the laws affecting trade. It will be the most important edition in many years. So extensive are these changes in State laws that all previous editions are outdated.

For forty-two years progressive credit executives have kept the latest edition of the CREDIT MANUAL of COMMERCIAL LAWS on their desks because it gives them in clear, concise, *non-technical* English all they need to know to protect their companies' interests in all credit transactions, secured and unsecured. All the necessary steps are fully covered from the time the customer sends his order until his check is cleared by the bank. And should the check not be cleared, or the customer goes bankrupt, that is fully covered too.

You are going to need this edition of the CREDIT MANUAL of COMMERCIAL LAWS. Write today and reserve your copy at the pre-publication price of \$7.50. (The regular price is \$10.00.) By ordering now you will save 25%. More, you will obtain one of the first copies to come off the press.

And that's not all. If you send your check with your order, we will include, *at no extra cost to you*, a new booklet, "Yardsticks for Credit Management", an invaluable volume which will show you how to evaluate your department's performance, and how to compare your department's record with that of other companies, and not only in your own industry.

Send your check today while the offer is still good and take advantage of the 25% saving on the 1950 CREDIT MANUAL OF COMMERCIAL LAWS and this extra aid in administering your department. Write to.

PUBLICATIONS DEPARTMENT

NATIONAL ASSOCIATION OF CREDIT MEN

One Park Avenue

New York 16, N. Y.

RECENT COURT DECISIONS

of interest to financial executives

Reviewed by Carl B. Everberg,
Assistant Professor of Law, Boston University

Effect of cashing a check marked "in settlement of account in full," where controversy exists between the parties regarding the amount due.

THIS issue has once more been decided in a recent case in Ohio. *Platt vs. Penetryn System, Inc.* 86 N. E. (2d) 600 Supreme Court of Ohio). Plaintiff and defendant were parties to a contract under which the former was employed on a salary basis plus a bonus computed according to a certain stated formula. When plaintiff ceased his employment there was a disagreement as to the sum due him. He claimed a larger sum than the books and records disclosed to be due. Defendant delivered a check purporting to be final payment to plaintiff on which there was inscribed the legend: "Payment in full all compensation due." Plaintiff retained the check for about six months while continuing to assert his claim for a larger sum and then cashed it. Thereafter he brought suit for an alleged balance.

The general rule is that the acceptance of a less sum than is actually due cannot be a satisfaction and will not operate to extinguish the whole debt, even though agreed by the creditor to be received on such condition—where the claim is liquidated in amount. The foundation of such rule is that there is no consideration for the promise of release. There must be some benefit shown running to a party relinquishing a legal right.

But this rule does not apply to cases where the amount is unliqui-

dated—where there is a controversy as to the amount due. The court in the above case reviews the existing law on the subject; says that where there is a bona fide dispute over an unliquidated demand (the debtor tendering an amount less than that in dispute upon an express condition that it shall be in full of the disputed claim) the creditor must refuse it or be bound by the condition. It operates as "accord and satisfaction,"* said the court.

The court made an interesting observation on the side. It made the following supposition: what if the creditor upon receiving a check containing a condition similar to the one in this case (the amount being in controversy) notifies the debtor that he is placing the amount to the latter's credit but that he does not intend thereby to close the matter, and the debtor makes no reply? Does the silence of the debtor thereafter amount to a waiver of the condition? No, says the court—there is still an accord and satisfaction when the creditor uses the check.

So, it does not help a creditor under such circumstances to use

*Accord is the making of a new agreement; satisfaction is the performance of the accord. This new agreement is largely implied—a promise to pay an amount which has been in dispute by the debtor and a release from payment of the disputed amount by the creditor. There is consideration here because there is no duty to pay a disputed amount. Satisfaction consists of the payment of the amount now liquidated by agreement.

the check and notify the debtor that he is not accepting the check in full.

The only effective way for the creditor to save his rights is to promptly return the check stating the reason therefor. He cannot both accept and cash the check with such condition as "settlement in full," and at the same time retain a right of action for such balance as he claims over and above the amount of the check, even in face of a notice to the debtor that he thereby does not intend to accept the offer of the settlement in full.

When is a corporation in a State so as to be doing business?

THIS recurring question is answered upon the claim of a foreign corporation that was not subject to the jurisdiction of the State of New York upon being served with process on a suit against it.

The Court of Appeals of New York, in *Sterling Novelty Corporation v. Frank & Hirsch Distributing Co.* 86 N. E. (2d) 564 has lately tried to explain when a foreign corporation is "here." It may be hoped that some day courts or legislators will tackle this insoluble riddle of when is a corporation "here" (for the purpose of determining whether it is subject to the jurisdiction of a state) in a much simpler way. The question arises frequently in connection with the need of being licensed to "do business" within the state. It arises, as it did in this

case, when suit is brought against a foreign corporation.

Up to this time the courts have attempted to employ many different kinds of standards to determine whether an invisible, artificial, intangible "person" (which a corporation is deemed to be) frequents a habitation to such an extent that it is "here." It connotes a ghostly condition of affairs. The *Credit Manual of Commercial Laws* of the National Association of Credit Men (p. 39, 1949) sounds off the greatest difficulty in knowing what the law is. "It is impossible to formulate from the many decisions of the various states a comprehensive definition of the phrase doing business within the foreign state to such an extent, or in such a manner, that the business becomes intrastate as opposed to interstate, and renders the corporation liable to the restrictions and the penalties imposed by the state laws. Each decision is rendered upon the special facts before the court for adjudication and only by reference to the opinions themselves, and by a process of exclusion and inclusion may the meaning of the phrase 'doing business' be fully comprehended."

In this case the corporation in question did a great deal of buying for its activities in South Africa. Most of these problems arise from corporations who come into a state to sell goods. It will serve little purpose to set forth the facts which led the court to its finding that the corporation was "here." It admitted that "there is no precise measure of the nature or extent of local purchasing activities which will render a foreign corporation amenable to process in this state [New York]." It added that "continuity of action from a permanent locale is essential." [But how much action spells out continuity of action?] Further, the court said "The foreign corporation must be 'here' not occasionally or casually, but with a fair measure of permanence and continuity." [But how can all these words assist in determining whether an invisible person has been "here?"]

THE approach to this question is wholly unsemantic. That is why the courts can never lay down rules upon which we can chart our course. No corporation can never be "here" or "there." But its servants can. If

HERE'S HOW AMERICAN CREDIT INSURANCE

Protects you from Credit Loss— Helps you Increase Sales

GEORGIA LUMBER MANUFACTURER writes:
"Your adjuster has just finished checking up on 3 losses . . . left your draft for approximately \$21,000. Policy has enabled us to sell some accounts in larger amounts."

PENNSYLVANIA CLOTHING MANUFACTURER writes:
"Wish to acknowledge your draft in amount of \$11,801.51 . . . payment on 2 accounts we thought well off. Have carried your policy over 25 years . . . relations always satisfactory."

CALIFORNIA HEATING WHOLESALER writes:
"We thank you for check in settlement of claims on policy #141-183 . . . sincerely appreciate promptness and simplicity in handling."

NEW YORK MANUFACTURER writes:
". . . pleased to receive check in payment of loss sustained. Have had American Credit Insurance over 20 years . . . found it very helpful in sales."

**Your Insurance Program . . .
Designed to Protect & Conserve
Assets...is NOT Complete Unless
it Includes Credit Insurance**

AMERICAN CREDIT INSURANCE

GUARANTEES PAYMENT OF ACCOUNTS RECEIVABLE

YOUR ACCOUNTS RECEIVABLE is one of your most valuable assets . . . should be protected at ALL times. Business history has shown that despite credit ratings . . . diligent investigation . . . past records of payment . . . UNFORESEEABLE EVENTS frequently turn GOOD CREDIT RISKS into BAD DEBT LOSSES.

With American Credit insurance, you know your profits are safe. If your GOOD CUSTOMERS become involved or fail, you are protected. AMERICAN CREDIT PAYS YOU WHEN YOUR CUSTOMERS CAN'T. You may select coverage for all accounts . . . a selected group . . . or just one account. Your policy also enables you to get cash for past-due accounts.

Many policyholders have found American Credit Insurance an aid to sales. Some were able to take on accounts formerly turned down because of their *risky size* rather than their *risky nature*. Some found they could increase lines of credit without the hazard of high concentration of risk in one, two or a few accounts. Broad diversification of risk works to the advantage of your Sales Department.

Should you have occasion to borrow, the fact that your receivables are insured will be an important factor in establishing a satisfactory line of credit. And, of course, your suppliers have an added incentive for extending you credit.

Our book, "WHY 'SAFE' CREDIT NEEDS PROTECTION," contains valuable facts for you, your treasurer and credit manager. It discusses Credit in general . . . unpredictable events which cause frequent loss . . . gives additional information on American Credit insurance. To get a copy just phone the AMERICAN CREDIT office in your city, or write AMERICAN CREDIT INDEMNITY COMPANY of New York, Dept. 47, First National Bank Building, Baltimore 2, Maryland.

J. A. W. Fisher
PRESIDENT



OFFICES IN PRINCIPAL CITIES OF THE
UNITED STATES AND CANADA

the legislators of a state want to go so far, they can pass legislation making service on any officer or agent of a corporation effective. And instead of making the presence of a corporation in a state depend upon variable factors, as it now does, why cannot the legislatures appoint the commissioner of corporations to accept service for any foreign corporation which becomes involved in litigation with a domestic party, whether the foreign corporation is one which is licensed to do business or not, and require the commissioner to forward the process to the home office of the corporation? If there is merit in the action, why should it matter whether the case is tried in the home state or the foreign state?

Now, after protracted litigation running through several courts on the sole question as to whether there was want of jurisdiction over the defendant, it is assumed that action must now be started, or at least resumed, on the merits of the case. So long as the courts continue to have to pass on this illogical question as to whether or not the artificial person, which a corporation is, is "here," and there being no known standard by which we can ever determine what a court will say on the question, this will remain one of the most unsatisfactory conditions in the system of law.

Optional acceleration clause in note distinguished from automatic acceleration clause.

The case of *Faulk v. Futch*, 214 S. W. (2d) 614 (Texas Supreme Court), also annotated in 5 ALR ed 963, presents a reminder that people who take notes with acceleration clauses should beware of the requirements of the holder where the acceleration provision is optional and not automatic. The note in this case contained the usual *optional* type as viz: "in the event any default is made in the payment of any installment of principal or interest hereon, or any part thereof, when due, such default shall, at the option of the holder, at once mature the whole of the note."

One of the issues in this case was whether the holder had taken the affirmative action necessary to exer-

Fire's Yearly Box Score		
CAUSE	NO. OF FIRES	LOSS
Smoking and Matches	87,000	\$51,500,000
Misuse of Electrical Equipment and Defective Wiring	52,000	56,000,000
Defective Heating Equipment	44,500	56,000,000
Defective or Overheated Chimney and Flues	30,000	16,900,000
Sparks on Wooden Shingle Roofs	27,000	19,500,000
Careless Handling of Flammable Liquids ...	20,000	21,800,000
Children Playing with Matches	20,800	8,300,000

cise the option to declare the whole amount due.

When the acceleration clause is one of the optional type the entire note does not *ipso facto* become due when there is a default in an installment. There must be some decisive and affirmative action on the part of the holder to accomplish that result. The action must consist of a clear announcement, delivered to the maker of the note, apprising the latter that the option has been exercised.

Letters which remind a maker of the acceleration clause, or which contain threats that unless payments are brought to date, suit will be started, are not sufficient. On the other hand, no notice is necessary if the holder begins suit for the whole debt. This is deemed to be an unequivocal exercise of the option.

WHAT then is the importance of a proper exercise of the option if the institution of suit is the sure way? In the ordinary case it may make very little difference. But the maker may have pledged stock or other security with the note giving the holder the right to foreclose the equity of redemption on default. The right to sell such pledged stock may not ripen until there has been a valid exercise of the option to accelerate the whole amount of the debt. Frequently notes contain provisions that there will be an increased rate of interest at maturity. Proper exercise of the option is clearly seen to be necessary to give rise to the additional interest rate.

It is in connection with rights against indorsers that the matter becomes important. The indorser's obligation is that upon proper presentment at maturity and notice of

dishonor, he will pay. In order to fix the liability of the indorser proper exercise of the option to accelerate must be accomplished.

But, while presentment is always necessary to hold an indorser, and *not necessary to hold a maker* on the ordinary instrument, care must be taken to present a note to the maker where the acceleration provision is of the optional variety (and provided there is no specific place of payment expressed in the note) in order to exercise the option to declare the whole amount due. In other words, before the holder can exercise his option to accelerate, he must first, as a condition precedent, present the instrument to the maker and make formal demand. (There is a little authority to the contrary in the U. S.) The reason for performance of such condition precedent seems to lie in the right of the party primarily liable to see the instrument in the holder's hands and that it might not, if he should decide to pay it, be in the hands of some other transferee at the moment, who might later be able to enforce payment of it notwithstanding, this under the protection which the law gives a holder in due course. The payor, in other words, can require the production and surrender of the instrument from the holder upon payment. And no holder is justified in presuming that a maker of a note is not going to pay when the option to accelerate is exercised.

In summary, therefore, let any holder, who has an instrument with the *optional* type of acceleration clause, take care that the prerequisites of exercising the right of acceleration, as well as exercising collateral rights (such as selling pledged security) be complied with, where it becomes important to do so.

In the MODERN office

IN LINE with present demands for time and material saving devices for factory and office, The Haloid Company of Rochester, New York, announces a new, semi-automatic photo-copying machine. Called the Haloid Foto-Flo Model C, it operates on a revolutionary, continuous flow principle and produces photocopies faster than any machine of its type. It saves time and clerical work in offices and engineering departments by making copies of anything written, printed, drawn, typed or photographed in reduced or enlarged size at the rate of three 18" x 24" photocopies a minute.

No darkroom is required with the Foto-Flo, paper rolls may be changed in daylight without danger of exposure to light. Operation of the machine is simple because the timing and print transport are automatic. The operator merely sets the clock for the required number of seconds exposure and presses the trip. An electrical relay makes the exposure while a mechanical counter keeps track of the number of photocopies made.

An automatic conveyor, which eliminates manual print handling and agitation, feeds prints through the developing tank into the hypo tray. This makes possible the controlled forty-five second developing cycle, which assures uniformity of processing, cuts paper waste to a minimum and saves on chemicals.

The Foto-Flo photocopy machine accepts material such as engineering drawings, layouts, auditors' reports and the like up to 36" x 48" which can be reduced in one exposure to 18" x 24". A 9" x 12" copy can be enlarged to 18" x 24" in one exposure. In-between sizes are made in ratio.

A NEW, low-cost check feeder, intended for microfilming operations in banks, is announced by Recordak Corporation, subsidiary of Eastman Kodak Company.

**To Cut
Operating Costs**

**Step Up
Sales Activities**

**Compete
Successfully**

IF YOUR COMPANY finds itself handicapped by insufficient working capital, here's a COMMERCIAL CREDIT plan that gives you the opportunity to achieve a sound financial position in today's competitive markets.

Our COMMERCIAL FINANCING PLAN gives you substantially MORE cash than is available from usual sources. Use this extra cash to buy new equipment or effect other operating economies...to step up sales, advertising, merchandising activities...to tool-up for and launch new products...to carry inventory and accounts receivable...to take other steps that will help you operate successfully.

Because our plan is a CONTINUING arrangement, it operates with-

out renewals, calls or periodic clean-up of obligations...enables you to do long-range planning.

Send for Timely Book

"HOW TO HAVE AN ADEQUATE AND CONTINUING SOURCE OF OPERATING CASH" shows how Commercial Credit gives you MORE money...under a CONTINUING arrangement. Plan is simple, quick, confidential. No change in accounting methods. Customer relations are not disturbed. No interference with management or control. IF YOU CAN PUT MORE CASH TO WORK AT A PROFIT, phone or write the nearest Commercial Credit Corporation office for a copy of this book.



COMMERCIAL FINANCING DIVISIONS: Baltimore 2 • New York 17 • Chicago 6
Los Angeles 14 • San Francisco 6 • Portland 5, Ore... and more than 300 other
financing offices in principal cities of the United States and Canada.



Designed especially for use on the Recordak Duplex Microfilmer, the feeder will improve microfilming efficiency and increase the speed of handling checks over hand feeding. It is motor driven and feeds average-size checks as fast as the microfilmer will operate—from three to four times faster than hand feeding.

Simple to use, it can be installed on the Recordak Duplex Microfilmer in a matter of seconds. No adjustments are required and the maintenance is low.

Designated as the Model FD, the new Recordak Feeder will accept checks up to 9½ inches wide. Available for delivery in the near future, the Recordak Feeder rents as an accessory for \$3 a month. A low-cost feeder, similar in design, is also in production and will be available for delivery next January for use on the commercial models of Recordak Microfilmers.

COMPLETELY redesigned, streamlined, and embodying several improvements of major importance, the new Model A-2 Weber Addressing Machine is now ready for the market.

This machine, like previous models, operates on the "spirit" principle of reproduction and requires no stencils, plates, ribbon or ink. Addresses are transferred to the mailing piece from a list typed on a roll of special paper. This original list can be used over and over again up to 100 times. Corrections and changes are easily and quickly made by means of gummed stickers which are supplied.

The new Weber Model A-2 is equipped with an automatic ejector which eliminates the necessity of manually removing the addressed piece from the machine. Instead, it is automatically ejected without interrupting operation. Efficiency is thus increased by 50 per cent resulting in the production of from 2000 to 2500 addressed pieces per hour.

The Model A-2 machine, with all improvements, is offered without change in price, at \$47.50 complete with all supplies needed for a 500 name mailing list. Additional supplies for larger lists are quite inexpensive. Further details may be obtained by writing the manufacturer, Weber Addressing Machine Company, 200 West Central Road, Mt. Prospect, Illinois.

RESEARCH

as a factor in credit management

by **DAVID A. WEIR**
Secretary and Assistant Executive Manager
National Association of Credit Men

FOR a long time there has been a quite proper feeling that insufficient attention has been given to the importance of research in the field of credit. This is probably a reflection of something even more serious; namely, the fact that the importance of credit and the importance of those who are handling credits, has not been properly recognized in the field of business or in our general economy. For this reason certain leaders in the membership of the Association conceived the idea that a Credit Research Foundation should be organized. Their hope for the beginning for such an organization has been realized and we are now in the process of actually getting the work of the Foundation underway.

It is obviously impossible in the space allotted to me to present a complete summary or anything like a complete summary of what we believe this Foundation may do. I shall confine myself, therefore, merely to a presentation of what at the present time stands out as the general purpose for which the Foundation has been established and a brief outline of the type of services for which it has been started.

Before doing that, however, I want to make two special comments referring to possible rendering of special services to industry groups. In the first place, it will obviously be necessary that in the initial stages, at least, survey projects be chosen on the basis of general value to the field of credits rather than surveys serving only one industry group. I want to add to that, however, that if sufficient support is given to the survey by any industry group we will then be glad to secure additional personnel and arrange for the making

of surveys of special interest to that group.

The following may be listed as some of the general purposes for which this Foundation has been established:

1. Assistance to business in charting its credit policies. In this connection a distinction will need to be made between those projects which have to do with short range policies and the ones which have a greater bearing on long range activities.
2. Increased recognition of the importance of credit and those engaged in handling credits in relation to business profits and to general welfare.
3. Efforts toward greater recognition of this importance by business management, governmental officials, the general public and the younger generation—particularly through the medium of colleges and secondary schools.

At the Foundation meeting held at Atlantic City, a report was given of the ideas which we have in mind for rendering service to members of the Foundation. I am giving you the following as some of the things which we feel can be done and should be done. These plans are, of course, tentative and are subject to the desires of the members of the Board of Trustees of the Foundation. Our present thoughts as to some of the services which we hope can be rendered direct to members are as follows:

1. Surveys and information to members of the Foundation relating to the above mentioned purposes as well as wider dissemination of such information to the general public as may

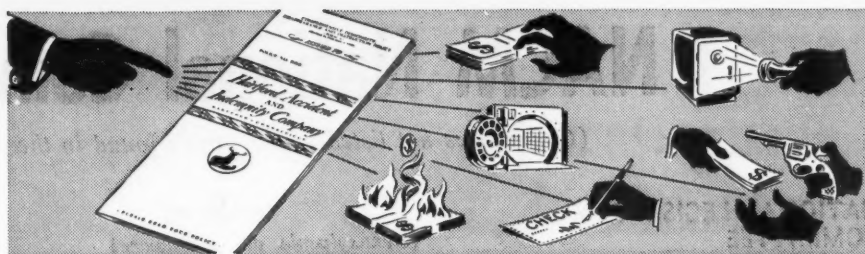
be helpful in attaining the above purposes.

2. Report from time to time to members on matters affecting credits and business in general as conditions warrant.
3. Dissemination to members of credit practices pursued successfully by Foundation members or others when those practices would seem to be of general value to others in credit.
4. Intensification of credit education in colleges and secondary schools. This will be done in cooperation with the Educational Department of the National Association of Credit Men.

In connection with the above surveys, I have already made arrangements with the head of our Foreign Department and the head of our Legislative Department to incorporate in each one of these surveys a brief statement as to credit conditions abroad and as to legislative matters which may affect credits.

The work of the Foundation will logically divide itself into long and short range projects. We have in mind, therefore, that in addition to the regular services which we feel can be rendered to members we may also be carrying on some projects which are of major importance but which may take a matter of months or even longer to complete. In this connection we are thinking of such things as case studies of the causes of business failures and various other projects.

This Foundation is, of course, a membership organization. It is obvious that if we are to accomplish what we hope to accomplish, the full cooperation of members will be required. This cooperation will involve not only their financial support but their interest in securing additional members in order that the finances will permit a constantly expanding service. In addition to that, it will obviously be necessary to call upon the members for their own experiences and views, as well as the material upon which to base the surveys of business conditions to be issued. We feel sure that if the members really believe in the purposes and possibilities for services of their own Foundation this cooperation will be given.



This modern policy provides 5-way protection for your assets and profits

To get a profit out of your business you must *hold on* to money, as well as take it in. That makes it vital to close every loophole against losses.

More and more businessmen, realizing this fact, are insisting on insurance that gives complete loss-proof protection, and modern insurance policies are designed to satisfy that demand. An excellent example is the comparatively new **COMPREHENSIVE DISHONESTY, DISAPPEARANCE AND DESTRUCTION POLICY**. The protection given by this contract is so exceptionally broad that to equal it you would have to carry four old style policies.

Under this new "DDD" Policy, you can safeguard yourself against losses due to:

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2. Theft, burglary, robbery, damage or destruction of money or securities within your business premises.
3. Theft, robbery, damage or destruction of money or securities outside your business premises.
4. Theft, disappearance or destruction of securities held in a safe deposit box.
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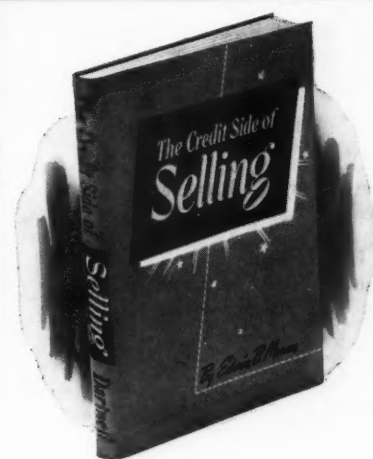
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ASSOCIATION NEWS

Credit and FINANCIAL MANAGEMENT

LOCAL NATIONAL

Executives' School Presents Diplomas to First Graduates As Third Session Comes to a Successful Close at Madison



Faculty and students are pictured outside Slichter Hall, the school's residence.

Madison: The first class of the third session of the Executives' School of Credit and Financial Management got under way August 22. Ninety-five executives from twenty different states were represented in this session, which like the two previous sessions was marked by a real sense of enthusiasm. Students represented various firms, manufacturing, wholesaling, service, and finance. In addition faculty members from the University of Maryland and Harvard Graduate School of Business Administration were among the students.

The school was again under the executive direction of Dr. Carl D. Smith. The eight-man resident faculty was again of the highest calibre and included many instructors from the previous sessions. The faculty consisted of G. C. Klippel, General Credit Manager, Van Camp Hardware & Iron Co., Indianapolis; Dr. Marshall D. Ketchum, Associate Professor of Finance, University of Chicago, Chicago; Dr. Kenneth Dameron, Professor of Business Organization, Ohio State University; Thomas H. Nelson, partner, Rogers & Slade, Management Consultants and President, Executives Training, Inc., New York; Dick Carlson, also a partner of Rogers & Slade, New York; Dr. Arthur

R. Upgren, Professor of Economics, University of Minnesota and Associate Editor, Minneapolis *Star-Journal*; Raymond Rodgers, Professor of Money and Banking, New York University, and Edward E. Edwards, Professor of Finance, Indiana University.

The daily class conferences were devoted to problems of credit department management, financial management, money and credit, problems and trends of distribution, management functions and policies, and the development of executive abilities. The senior class spent half its time in a management seminar where current problems and issues confronting the credit executives were presented and exhaustively discussed.

In addition to the class conferences, the entire school body, faculty and students, met four evenings each week in round table conferences. The subjects of these conferences included such topics as "The Credit Executive's Appraisal of Theory in Relation to Practice," "Propaganda in Business and Government," "Cooperatives and Other Business," "Master Salesmanship for Today's Competitive Market," "Business Indicators of Value to the Credit Executive," and "Government Intervention in Business."

Seventeen executives, who have attended three sessions and have fulfilled all the requirements for graduation, received their diplomas at the close of this session. The requirements necessary for a diploma were attendance at three sessions, not necessarily consecutive, the accomplishment of a series of extension problems between the first and second sessions, and the writing of a thesis on the subject of the student's own choice between the second and third sessions.

The average temperature during the session was 74 degrees and the average high during the period only 84 degrees, which compares very favorably with the rather excessive temperatures which made the students' burden of study no lighter in previous years.

Judging from many personal interviews with the students there appears to be a real spirit of gratification that the opportunity to attend the school exists. This spirit has been definitely noticeable in all classes. The added opportunity to meet with such a first class faculty and to exchange ideas and experiences with other credit executives from other regions and in other industries is agreed to be the most important advantage of attending, according to the class leaders.

Robot Interchange System Saves Many Hours, Much Money

Los Angeles: The Los Angeles Credit Managers' Association (your host for the 1950 Credit Congress, be it noted) has published some interesting facts concerning the working of its Interchange Bureau since the installation of their new machinery.

If all the reports produced by Credit Interchange (including reciprocals) during the last six months were placed end to end, they would reach from the association office to Long Beach and extend about five miles out to sea.

To produce these reports on the old manual basis it would require eight typists, working a full eight-hour day, 8,320 hours. In comparison, the same amount of work produced on the tabulating machine requires 83.3 hours. The tabulating machine requires only part-time supervision, takes no vacation and there is very little time out for illness.

Another interesting comparison: The comment cards, including incoming and outgoing, have to be sorted both ways. If piled one on another, they would extend 14 feet higher than the Los Angeles City Hall.

The Remington-Rand sorting machine would sort this quantity of cards in 25.05 days, working eight hours per day, and would require only part-time supervision.

A manual operation for a like quantity would require 6+ girls 130 days, each working eight hours per day.

Accounts checked into the files from new account cards, and initial lists, if typed, showing owner's name, trade style, address and city and state, would form a roll of paper with a diameter equal to the height of an average man.

Garrisons Celebrate Their Golden Wedding

Wichita: Mr. and Mrs. M. Elmer Garrison held open house at their home, 130 South Belmont, Wichita, Kansas, on Saturday, September 10, on the occasion of their fiftieth wedding anniversary.

Mr. Garrison, who is secretary-manager of the Wichita Association, and his wife, the former Julia Hauser, were married September 10, 1899.

Raymer Elected Head Of Akron Association

Akron: W. S. Raymer, Jr., Sun Rubber Co., was recently elected President of the Akron Association of Credit Men. Others elected for the 1949-1950 term were: Henry S. Simmons, Dyke Motor Supply Co., Vice-President; William B. Poe, Ferrior Bros., Inc., Secretary-Treasurer, and A. C. Mayer, Standard Oil Co., Councillor.

Franklin H. Peck Is New Public Relations Director at New York

New York: Franklin H. Peck has been engaged to succeed Victor A. Liston as public relations director of the New York Credit Men's Association. He will work on the monthly publication, "Credit Executive", and have charge of press relations.

Recently returned from England and other European countries, where for the past few years he has been freelancing in the publishing field, Mr. Peck was formerly advertising manager for Fawcett Publications and assistant director of publicity for Columbia Records, Inc.

Twenty-one Teams Are Competing for Honors In New Orleans Drive

New Orleans: The New Orleans Association of Credit Men, in its 1949 membership campaign, has organized twenty-one teams which are competing for the honor of signing up the most new members.

The captains and co-captains of the teams met recently at the Army and Navy Club for a dinner meeting at which past achievements were reviewed. It is hoped that the membership goal will be reached by the end of September.

Bring in a new member —Earn a free dinner

Philadelphia: A new wrinkle is being introduced into the plans for the annual golf tournament and dinner which the Credit Men's Association of Eastern Pennsylvania is planning for September 20 at the Hershey Country Club. Any member who secured a new member during the month of August will be transported from Philadelphia to Hershey and dined there on the Association.

Dallas Hears Talk on Handicapped Children

Dallas: Fred Levy, President of the Handicapped Children's Educational Society, gave an interesting talk during the Tuesday Luncheon meeting of the Dallas Wholesale Credit Managers' Association August 19.

Mr. Levy was born and educated in Germany, next door to the late Joseph Goebbels. He came to the United States in 1926 and served in the U. S. Military Intelligence during the recent war.

David A. Weir, Secretary and Assistant Executive Manager of the National Association of Credit Men and Executive Vice-President of the Credit Research Foundation, will be the featured speaker during the Tri-State Conference at Albany, N. Y., October 14.

Fraud Prevention Department Score Raised to 1713

THE truth of the old adage, "Never change horses in the middle of a stream" was clearly shown in the case of Albert Hurwich of New York City, the National Fraud Prevention Department's conviction number 1713.

Hurwich had been engaged in the used car business for a considerable length of time. In 1946 he entered the dress manufacturing business in New York under the corporate name of Barri Couture, Inc., having had very little experience in that business. In April, 1948, Barri Couture, Inc., failed.

The Fraud Prevention Department was called in to investigate the case. The investigation, conducted in cooperation with the FBI, showed evidence of fraud and Hurwich was indicted for violation both of the National Bankruptcy Act and of the Mail Fraud Statutes—use of the mails in a scheme to defraud through the mailing of false financial statements. These statements showed a substantial net worth which was "questionable."

Meanwhile, Hurwich had fled the jurisdiction of the court. However, after several months' search he was found in New Orleans and returned to New York. On August 28 he pleaded guilty to the indictments and on August 30 was sentenced to imprisonment for a year and a day.

Before absconding, Hurwich sold out his entire business and failed to account for the proceeds.

Had this man continued in his old line of business and not tried to "change horses" he might still be prosperous. It is said that he intended to return to the used car field with the money he had concealed in the bankruptcy.

Conference Plans Are Taking Shape

Chicago: Arrangements are rapidly going forward for the annual State Credit Conference sponsored by the Chicago Association of Credit Men to be held Wednesday, October 19. Two sessions will be held during the morning and afternoon with luncheon at noon. A fine program is being prepared.

In the evening the annual Fall Dinner will be held with an outstanding guest speaker.

Situations Vacant

Young man, college graduate, who majored in mercantile credits and has some experience, seeks opportunity in credit field. Box S-1, Credit and Financial Management.

Credit Manager, 16 years with one of leading manufacturers of Men's Wear, having nationwide distribution. New ownership is factoring accounts. Applicant can provide proof of outstanding record. Now in Louisville. Will locate elsewhere. Box S-2, Credit and Financial Management.



SHREVEPORT
G. S. Pasquier
COMPTROLLER
Times Publishing Co., Ltd.



ROCHESTER
Herbert F. Adam
TREASURER
J. Hungerford Smith Co.



DETROIT
Paul E. Ewers
COMMERCIAL OFFICE MGR.
Michigan Cons. Gas Co.



SALT LAKE CITY
Ellis C. Wheeler
TREASURER
Salt Lake Hardware Co.



SYRACUSE
Joseph E. Reese
CREDIT MANAGER
Cherry Burrell Corp.

ASSOCIATION PRESIDENTS

SEPTEMBER is the month when the Association activities once again begin to run in high gear after a summer lull. Meetings, forums, educational classes all re-commence with that spirit of "life is real, life is earnest" that comes after Labor Day.

This is the month when the new Association President will ostensibly do his first job of presiding. Actually, however, he has been carrying

on during the whole summer, checking to see that all arrangements for these meetings, forums and so on have been made.

Presiding at meetings is but the slightest of the jobs a president is called on to do. The entire running of the Association is his responsibility. We wish these "freshmen" presidents good luck and a successful year.



TERRE HAUTE
Joseph O. Arney
VICE-PRESIDENT
Indiana State Bank



SIOUX FALLS
Kenneth Roberts
CREDIT MANAGER
Rudning Robertson Co.



FORT WAYNE
Russell G. Ayers
ASST. VICE-PRESIDENT
Fort Wayne National Bank



EVANSVILLE
Cletus H. Kaiser
ASSISTANT CASHIER
Citizens National Bank



QUINCY
H. H. Hoener
CREDIT MANAGER
Brower Manufacturing Co.

Confidentially Speaking

Courtney Shaw, American Pacific Stamp Co., Los Angeles, was recently elected President of the Lions Club of Los Angeles . . . **Grover Smith**, Randall Brothers, Atlanta, Ga., is convalescing from recent automobile accident . . . **Walter Brekke**, Assistant Credit Manager, California Hardware Co., Los Angeles, announces the arrival of a daughter . . . **C. R. Caster** succeeds G. G. Adams as Credit Manager at Consolidated Companies, Inc., New Orleans, La. . . **J. A. Goodson** was recently Appointed Secretary-Treasurer of Placid Oil Company, Shreveport, La. . . **Willis T. Windle** has been named Treasurer and Controller of The Carborundum Company, Niagara Falls, N. Y. . . **L. L. Melwick**, formerly Assistant Secretary and Assistant Treasurer, The Dana Corporation, Toledo, Ohio, has been elected Treasurer and Assistant Secretary . . . **Paul G. Giers**, Comptroller and Credit Manager, San Equip, Inc., Syracuse, N.Y., was elected President of The United States Chess Federation.

A. A. Wainwright is the new Credit Manager at Nelson, Baker & Company, Detroit, Mich. . . **L. G. Keplinger** replaces Dave Albright as Credit and Office Manager at The Ohio Bell Telephone Co., Cleveland, Ohio . . . **Richard L. Simmonds** is now Credit Manager at Steel Fabricating Co., Indianapolis, Ind. . . **Arthur C. Madden** is the new Credit Manager at Wehle Electric Co., Rochester, N. Y. . . West-Marquis, Inc., Los Angeles, Calif., have announced **Margaret O'Connor** as their new Credit Manager . . . **Kenneth W. Batt** succeeds C. F. Grosholz as Credit Manager for Motter Electric Co., York, Pa. . . **Art Quay**, Vice-President and Credit Manager of The First National Bank, Minneapolis, and Past President of The Minneapolis Association of Credit Men, has been elected to the Board of Directors of the bank . . . **E. H. Davies**, Past President of the Cleveland Association of Credit Men, has been elected Assistant Treasurer of the Cleveland Electric Illuminating Co., Cleveland, Ohio.

J. H. White was recently transferred from the San Francisco to the New York City offices of Shell Oil Co., Inc., as Vice-President and Controller . . . **W. Manville Johnson** has been advanced from Treasurer to Vice-President of The Reading Hardware Corp., Reading, Pa. . . **F. K. Zimmerman** was recently elected Secretary-Treasurer of The Lynch Corporation, Anderson, Ind., succeeding J. L. Watts, retired . . . **W. J. Peterson** is now Credit Manager at Phillips Petroleum Co., Omaha, succeeding H. T. Skidmore, transferred to Minneapolis . . . **Warren B. Shirey** succeeds J. W. Simmons, deceased, as Credit Manager at American Radiator & Standard Sanitary Corp., Detroit, Mich. . . **John G. dePass**, General Credit Manager, National Radiator Co., Johnstown, Pa., has been elected Assistant Secretary of his company . . . **Mrs. Ann K. Jones** is the new Credit Manager at Peerless Electric Co., Warren, Ohio . . . **Fred A. Barker**, Credit Manager, Atlantic Gelatin Div. of General Foods Corp., Boston, Mass., retired on July 1st . . . **J. Wm. Hardt**, Executive Vice President, The Philadelphia National Bank, Philadelphia, retired on August first . . . **W. K. Davis** replaces James H. Sellers as Credit Manager for Orr & Sembower, Inc., Reading, Pa.

John L. Watson, King Hardware Co., Atlanta, Ga., is convalescing after a serious illness . . . **R. R. Bilek** is now handling credits and collections at Thermal Company, Inc., St. Paul, Minn. . . **W. G. Drexelius**, Credit Manager, Geo. H. Nowland Co., Cincinnati, Ohio, suffered a compound fracture of his leg . . . **Keith Hamilton** succeeds L. L. Williams as Credit Manager at Freedom-Valvoline Oil Co., Seattle, Wash. . . **Adlo Neilson** succeeds **Thomas Carlson** as Credit Manager at Quality Meat Packing Co., Los Angeles, Calif. Mr. Carlson is now Credit Manager for Survall Packing Company . . . **H. G. Hodgden** succeeds H. E. Kingan as Credit Manager at Hood Rubber Co., Pittsburgh, Pa. . . **George N. Stevens** is now Credit Manager at Batchelder & Snyder Co., Inc., Boston, Mass. . . **A. F. Mansbach** is now Manager of Credits at United States Steel Supply Co., Baltimore, Md. . . **Charles B. Jones** succeeds Robt. O'Brien as Credit Manager at Lucas Screw Products, Inc., Rochester, N. Y.

Francis B. Cummings, Secretary, North American Cement Corp., New York City, has been elected a Director of the company . . . **H. W. Proulx**, formerly Finance Officer of Pan American World Airways in New York City, is now with Golden State Company at San Francisco, as Assistant Comptroller . . . **Theodore R. Oakes**, formerly Assistant Treasurer, has been elected Treasurer of the Hondaille-Hershey Corp., Detroit, Mich. . . **P. E. Porter** is now Credit Manager at McPherson Furnace & Equipment Co., Seattle, Wash. . . **G. Rayson Braun** has been elected Vice President of the West American Rubber Co., Los Angeles, Calif. **H. H. Vickrey** succeeds Mr. Braun in Credit Management . . . **Charles W. Strine** succeeds H. A. Ansell, deceased, as Credit Manager at Pennsylvania Flexible Metallic Tubing Co., Philadelphia, Pa. . . **Mrs. Giordana Losurdo** is the new Credit Manager at Dante Candy Company, Chicago . . . **J. L. Doll** now supervises credits and collections at the Creasey Company, Louisville . . . **C. W. Retnauer**, formerly Treasurer of Ogden Corp., New York, has become Comptroller of The Derby Gas & Electric Co., Derby, Conn. . . **James F. Toole** has been elected Treasurer of the Sperry Gyroscope Division of the Sperry Corp., New York City.

E. B. M.

WITH REGRET

We regretfully announce the passing of these members of the Association: **Charles H. Hencier**, Credit Manager, Kenny Boiler & Mfg. Co., St. Paul, Minn. . . **O. E. Huss**, Credit Manager, Hoffman Hardware Company, Los Angeles, Calif. . . **Spencer E. Twist**, Treasurer, Colonial Optical Company, Inc., New York, N. Y. . . **Raymond H. Tyree**, Secretary and Treasurer, Stanford Paper Co., Washington, D. C. . . **George J. Brereton**, Secretary, Shadbolt & Boyd Co., Milwaukee, Wis. . . **J. S. Watson**, retired, former Credit Manager, Fulton Paper Co., Atlanta, Ga. . . **George A. DeNaouley**, Credit Executive, Burlington Mills Corporation of New York, New York, N. Y. . . **Christian J. Litscher**, President, Litscher Wholesale Electric Co., Grand Rapids, Mich. . . **J. W. Simmons**, Credit Manager, American Radiator & Standard Sanitary Corp., Detroit, Mich. . . **William Jenkins**, Executive Vice-President, Peoples Bank, Youngstown, Ohio . . . **Edward E. Long**, Credit Manager, Alan Wood Steel Co., Conshohocken, Pa. . . **H. A. Ansell**, Credit Manager, Pennsylvania Flexible Metallic Tubing Co., Philadelphia, Pa. . . **Harry W. Thompson**, General Credit Manager, General Seafood Div., General Foods Corporation, Boston, Mass. . . **Dan W. Thomas**, Credit Manager, The Wm. Edwards Co., Cleveland, Ohio . . . **Joseph M. Watson**, Credit Manager, P. A. Vogel & Sons Co., Louisville, Ky. . . **Henry W. Kimmel**, Vice-President and Secretary, Taylor Instrument Companies, Rochester, N. Y., former President of the Rochester Association of Credit Men.

Harrison J. Day

Providence: Harrison J. Day, a director of the Rhode Island Association of Credit Men, died suddenly at his summer home on Block Island, Saturday, August 20.

Superintendent of Collections for the Narragansett Electric Company, Mr. Day was also a member of the Blackstone Valley Sewer Authority and of the State Board of Review.

Chicago Member to be Honored by Chemists

Chicago: Dr. Otto Eisenschiml, Scientific Oil Compounding Company, will receive the honor scroll award of the American Institute of Chemists at a meeting of the Chicago chapter on October 7. Dr. Eisenschiml, a member of the Chicago Association of Credit Men, is to receive this award for his outstanding work in the chemistry of vegetable oils and for promoting the professional prestige of the chemist.

New Yorkers Play Golf

New York: The New York Credit Men held their Fall golf tournament September 13 at the Wheatley Hills Golf Club in East Williston, Long Island.

Boston Will Hold First Educational Meeting Sept. 22

Boston: The Boston Chapter, National Institute of Credit will hold its opening meeting of the 1949-50 season on Thursday, September 22nd, at 6:00 P.M. at Perkins Hall, The Women's Educational and Industrial Union, Boston, Mass.

The Chapter will present as its speakers for the evening Henry G. Buckwalter, Associate Director of National Association of Credit Men, and Dean Roger Hamilton, College of Business Administration, Northeastern University. Their subject: "Improving Your Professional Status."

The 1949-50 educational program of Boston Chapter is again presenting a course in "Credit and Financial Management" leading to Associate and Fellow awards. The classes are to begin in September at Boston University.

Pittsburgh Educational Program Taking Shape

Pittsburgh: The educational program of the Credit Association of Western Pennsylvania is rapidly taking shape. Most of the courses necessary for the Fellow and Associate awards of the National Institute of Credit are available at either Duquesne or the University of Pittsburgh, with both of which the Pittsburgh chapter cooperates closely.

Registration began at Duquesne September 12 with classes due to start September 19. At Pitt classes will begin September 26. Credit seminars are also planned, with the program to be announced later.

Retirement of Two Old-Timers Announced

Pittsburgh: Charles Johnston recently retired as Secretary-Treasurer of Williams & Co., Inc., after 38 years of service. He will continue to be officially connected with the company, however, as a director. He is succeeded by Walter Churchill, presently a member of the Pittsburgh Board of Directors.

Mr. Johnston is a Past President of the Western Pennsylvania Association and a past Director of the National Association. He contributed greatly to the formation and growth of Interchange in the Pittsburgh area.

L. A. Chichester

Midland, Mich.: L. A. Chichester retired August 1 as assistant secretary and general credit manager of The Dow Chemical Company. Concurrently Carl A. Gerstacker, Dow treasurer, announced the appointment of Robert B. Bennett to fill the position of general credit manager.

Mr. Chichester's retirement comes after 31 years of service with the company, and because of his exceptional familiarity with many phases of its operations he is being retained in a consulting capacity, Mr. Gerstacker said.

The ZEBRA Corral



NOW that the Royal Order of Zebras have their very own corner in the official publication of the National Association of Credit Men—it is time that the Grand Zebratary gets in his "two-bits" worth!

You Zebras and prospective Zebras have all probably read Grand Exalted Superzeb Mark Hutchison's report of the annual meeting of the National Herd at the Atlantic City convention in May. G. E. S. Mark has been a busy Zebra since his election to the top office of the National Herd, and he has some mighty fine plans in store for all the Herds throughout the country. The program is very complete and a copy can be obtained by writing direct to the Grand Exalted Superzeb at 301 Washington Street, Oakland, Calif. This program warrants the support of all members of existing Herds and of credit men who would like to become Zebras.

In the over-all plans for the year the Grand Exalted Super has come forth with a brand-new idea concerning a "Foreign Legion" of Zebras. Here is an excellent opportunity for credit men located

throughout the country where there may not be a Herd in existence at the present time, to become a Zebra and then to work toward the formation of a Herd in his territory. Don't lose sight of the fact that the Zebra organization can be of tremendous help to local Credit Associations and the Secretary-Managers of those Associations. Complete information concerning the "Foreign Legion" can be obtained by writing to the "G. E. S." at the address indicated above. The "Foreign Legion" will really come into its own at the Round-Up to be held in Los Angeles during the National Convention in 1950. Plans are under way at this time to make this Round-Up one of the finest ever held in Zebra history, and knowing the Southern California Herds as we do, we can assure you that it will be colossal!

Let's all put our shoulder to the wheel this year and make 1949-1950 a banner year for the Royal Order of Zebras!

GORDON A. GRAHAM, Grand Zebratary

Syracuse Secretary Honored by Retail Credit Association

Syracuse: Newton D. Bartle, Secretary-Manager of the Syracuse Association of Credit Men, was awarded the International Award for collection service in cities of 100,000 to 250,000 population at the recent convention of the National Retail Credit Association and the Associated Credit Bureaus of America in Boston, Mass.

In addition to his work with the wholesale Credit Association Mr. Bartle is Manager of the retail credit bureau in Syracuse.

Ex-National Director 42 Years With Firm

New Britain, Conn.: Edward E. Ogren, assistant secretary and credit manager of the Stanley Works completed 42 years with his company on Friday, August 19.

Mr. Ogren became credit manager in 1919 and was appointed assistant secretary in 1941. He is a past President of the Hartford Association of Credit Men and served the National Association as a Director from 1936 to 1939.

Large Registration is Expected for Chicago Basic Credit Course

Registrations already received indicate an unusually large number attending the CACM annual Basic and Refresher Course in Credits and Collections in Chicago. The course opens Monday evening, September 26, and continues on six successive Monday evenings closing with a complimentary dinner for the students and the presenting of scholarships awarded yearly by CACM and the Credit Women's Group.

Speakers and their subjects are: W. A. Linfield, Pepsodent Division, Lever Brothers Company, "Public Relations in Credit," A. R. Johnson, Container Corporation of America, "Analyzing Credit Information," W. J. Hindman, Lumbermens Mutual Casualty Company, "The 5th C of Credit," Rhae M. Swisher, Rhae M. Swisher and Company, "Financial Statements," H. B. Schierman, The Florsheim Shoe Company, "Sources of Credit Information," O. A. Jackson, Continental Illinois National Bank and Trust Company, "Foreign Credit," C. B. Whipple, Cherry-Burrell Corporation, "Legal Phases of Credit," and E. B. Moran, National Association of Credit Men, "Where Does Credit Fit Into Industry?"

News from the

CREDIT WOMEN'S GROUPS

Seattle: Credit women from all the groups on the West Coast will meet at the Olympic Hotel here September 23, 24 and 25 for a Western intergroup conference. Credit women are expected from Tacoma, Portland, San Francisco, Oakland, Fresno, Los Angeles and San Diego.

The program will open Friday evening, September 23, with a reception for all the visitors, with the Portland and Tacoma members acting as hostesses. The business of the conference will start Saturday morning with a breakfast at which the Rev. John T. Dunstan, pastor of the Prospect Congregational Church, will deliver the invocation. Following the breakfast will come the first session at which speakers will include Bess Marshall, Chairman of the National Credit Women's Executive Committee; Pauline Bresssem, of Portland, Western Vice-Chairman of the Committee; Committee member Ellen Anderson, of Oakland, and National Director R. W. Peterson. Past National President E. L. Blaine, Jr., will speak during the luncheon.

The afternoon program will consist of a general discussion of credit topics, with a definite topic assigned to each visiting group. The speaker at the evening banquet will be Pearl A. Wanamaker, Superintendent of Public Education for the State of Washington and a member of UNESCO.

Sunday's program starts with a brunch, followed by a discussion of Western group activities and reports from the various groups.

Houston: The Wholesale Credit Women's Club of Houston has been enjoying informal meetings during the vacation season. In June, we motored out to San Jacinto Battle Grounds for a tour through the Battleship Texas and the San Jacinto Monument, after which a very delightful sea food dinner was enjoyed at San Jacinto Inn.

In July we spent a most delightful evening on The Terrace of the beautiful and fabulous new Shamrock Hotel. Dinner was served to us by candlelight on The Terrace just above the deep blue waters of the moonlit pool. The surroundings were wonderful with the dim lights and the starry skies above; in fact, it was so delightful that we returned to The Terrace for our August meeting.

Our summer has been a delightful vacation and as we planned it so that our members would become better acquainted, we feel that we have fully accomplished our purpose and that everyone will be very happy to get back into our regular business meetings beginning in September.

The Southwest District Conference will hold their annual meeting in Waco Sep-

tember 22, 23 and 24. Plans are being made for a credit women's breakfast and our past president, Hazel Williford, who has been appointed to the National Credit Women's Executive Committee, announces that she has contacted the three organized credit women's groups in our district so that we may have a record attendance of women at this conference and reports from the various groups represented.

Cleveland: No regular business meetings of the Cleveland Credit Women's Club were held during the summer months; however, the Club had two social events, which brought the members together. On Saturday, July 9th, the Annual Outing was held on the beautiful farm of Anne Linde, one of the charter members of the Group. The program committee had a very full program of games and entertainment planned. One of the highlights of the day was the awarding of the Annual Scholarship to Cleveland, or Fenn College. Miss Helen Nelson, of Hydraulic Equipment Company, was the winner, with Miss Marie Michl, of Cleveland Quarries Company, chosen as an alternate.

Mrs. Kenneth S. Thomson, wife of the Executive Secretary at Cleveland, entertained the Club at a Tea in their lovely Shaker home on Saturday, August 13th.

The September meeting is scheduled for Wednesday, the 14th, at the University Club. Miss Rosa Basler, of Cincinnati, Vice President of the National Credit Women's Executive Committee, will be the principal speaker.

Pittsburgh: The Pittsburgh Credit Women's Group is making plans to resume meetings on September 28. This will be the annual "Know your Association" meeting. President I. L. Hillman, Dravo Corporation, membership Chairman J. H. Donovan, Jones & Laughlin Steel Corporation, and Executive Manager D. R. Meredith will cover the services and activities of the Association. A question and answer period will follow.

The newly-elected officers are: Emma Hamilton, Pittsburgh Photo-Engraving Co., President; Virginia S. LeBauda, Service Sales of Pittsburgh, Inc., Vice-President; Helen H. Gelik, G. N. Crawford Equipment Co., Treasurer, and Pearl Karwan, Credit Association of Western Pennsylvania, Secretary.

Oakland: Banking was the theme of the August meeting of the Oakland Credit Women's Group with J. A. Wainwright of the Bank of Commerce as guest speaker.

The membership drive was the topic of discussion with our two team chairman Angela Ragghante and Doris Coates giving reports on the progress of the drive for new members.

President Davis told the group more about the Western Intergroup Conference at Seattle in September.

Memphis: The Memphis Credit Women will play an important part in the forthcoming Southeastern Credit Conference which will be held in Memphis October 13-15. Members of the group will head the registration and information committees for the entire conference and will have representatives on all other committees.

Highlight of the credit women's program will be the luncheon on Friday, August 14.

Milwaukee: New officers were elected by the Milwaukee Credit Women's Group at their eighth Annual Meeting. They are Irene Virum, Milsco Manufacturing Co., President; Katherine Meek, Marsh Radio Supply Co., Vice-President; Ruth Weber, Robert A. Johnston, Secretary and Gertrude Lyneis, Badger Trailer & Equipment Corp., Treasurer.

Omaha: The following new officers were elected at the annual election of the Omaha Credit Women's Group: President, Grace Hanses, Dultmeier Sales Co.; Vice-President, Dorathea De Vries, Missouri Valley Machinery Co.; Secretary, Ann Yanick, Henry W. Miller Electric Co., and Treasurer, Fern Tucker, Barnhart Press.

Cincinnati: The new officers of the Cincinnati Credit Women's Group are Ruth Mason, Mason & Co., President; Loretta Johnston, F. D. Lawrence Electric Co., Vice-President; Millie Spreen, Blue Diamond Coal Co., Treasurer, and Margaret Dryden, Robertson Fence Co., Secretary.

St. Paul: Alice Muldoon, Tilden Produce Co., was recently elected President of the St. Paul Credit Women's Group. Betty Stevens, Westinghouse Electric Supply Co., was elected Vice-President; Bonnie Wickman, First National Bank, Secretary, and May Rogers, Gateway Grocery Co., Treasurer.

Chicago Member Is New Head of Mining Firm

Chicago: Charles E. Glasser, Treasurer of the Diversey Corp., has been elected President of the General Reduction Co., which his company recently acquired. The company mines, processes and markets bleaching, filtering and oil absorbent materials. The mines are located in Georgia.

Mr. Glasser is a student of the Executives' School of Credit and Financial Management.



Two informal shots of the Mansfield members taken during the meeting.

Mansfield Credit Men Tour Factory

Mansfield: R. M. Young, Credit Manager of the Mansfield Tire Co., entertained 46 members of the North Central Ohio Association of Credit Men at a dinner meeting held recently in his com-

pany's cafeteria and Convention Hall. During the meeting the credit men discussed improved office procedure. Following the meeting the guests were conducted on a tour of the factory operations.

Elections, Promotions and Other Good News

Terre Haute: Joseph Arney, Indiana State Bank, was elected president of the Terre Haute Association of Credit Men, for the year from May 1, 1949 to April 30, 1950; George O. Nichols, Public Loan Co., was named vice president, and C. B. Reed, Terre Haute First National Bank, treasurer. Mrs. Wanita I. Gilchrist, Mid-Continent Petroleum Corporation, was re-elected secretary.

Seattle: Ralph J. Stowell, National Bank of Commerce, is the new President of the Seattle Association of Credit Men; E. A. Cowman, Cowman-Campbell Paint Co., Inc., is the new Vice-President. Aili Steinmetz, Athletic Supply Co., is the new President of the Seattle Credit Women's Group. Inez Watts, W. F. Hall Printing Co., is the new Vice-President.

Green Bay: At the organization meeting of the board of directors of the Northern Wisconsin-Michigan Association of Credit Men Nels Nelson, Wisconsin Public Service Corp., was elected President. L. E. Plettner, Bay West Paper Co., was

elected Vice-President, L. F. Kramer, The Larsen Co., Treasurer, and George Markham, Hamilton Manufacturing Co., Councillor. R. C. Creviston was re-elected Secretary.

Minneapolis: Franklin G. Emrick, Smith Welding Equipment Corp., has been elected President of the Minneapolis Association to succeed Glenn F. Ballard, Minnesota & Ontario Paper Co., who automatically becomes Councillor. Irl D. Clark, Janney-Semple-Hill & Co., is the new Vice-President. Brace Bennett continues as Executive Secretary. President Emrick has been elected Treasurer of his company.

Allentown, Pa.: The Lehigh Valley-Berks Credit Association, Inc., announces the election of officers for the coming year. They are: Clarence A. Kistler, Bittner, Hunsicker & Co., President; Paul J. Smith, Allentown National Bank, Vice-President, and John R. Helwig, Merchants National Bank, Treasurer. J. H. J. Reinhard continues as Secretary.

New York: Roy F. Bradford retired as credit manager of Wellington Sears Company, Inc., on August 31 after 25 years with the company. He was succeeded by John R. O'Neill who has been his assistant for the past three years.

MEMBERSHIP PROGRESS REPORT

May 1, 1949 to August 31, 1949
Comparison

Class	Net Gain	Members	
		8-31-49	Percent
Class AA			
Chicago	19	2045	100.93%
Indianapolis	5	950	100.52
Louisville	5	1040	100.48
Class A			
Boston	26	617	104.39%
Seattle	10	644	101.57
Baltimore	6	563	101.07
Class B			
Denver	14	324	104.51%
New Orleans	10	286	103.62
San Diego	11	424	102.66
Class C			
Houston	14	216	106.93%
Syracuse	10	211	104.97
Toledo	2	208	100.97
Class D			
Columbus	11	122	109.90%
Albuquerque	2	119	101.71
Chattanooga	2	154	101.31
Class E			
Cape Girardeau	17	59	140.47%
Canton	5	55	112.24
Wheeling	4	50	108.70

COMPANY A			
Cash	\$ 10,000		
Receivables	80,000		
Inventory	90,000		
Current Assets	\$180,000	Current Liabilities	\$90,000

COMPANY B			
Cash	\$ 10,000		
Receivables			
Inventory	90,000		
Current Assets	\$100,000	Current Liabilities	\$90,000

Current Ratios, Inventories and Compensating Ratios

(Continued from page 11)

IN these two companies it is assumed the terms of purchase, the expenses, and the volume of sales are alike. It will be noted the current ratio of Co. A is 2 to 1 while the current ratio of Co. B is 1.11 to 1. Co. A does a credit business; Co. B sells for cash. From the operating viewpoint, i.e., the ability to meet their current obligations, there is no difference between them. Co. A has \$80,000 more net working capital than Co. B, but Co. A needs that much more because of its required investment in receivables under credit terms. From a safety viewpoint, the extra \$80,000 of net

gations alike, B's creditors would become apprehensive and troublesome while the confidence of A's creditors would not be shaken.

The illustrations of Co. A and Co. B reveal two facts. First, similarity in paying ability does not mean similarity in safety or vice versa. Second, the greater the sales in relation to the current assets the less the current ratio, or net working capital, required (from the operational viewpoint). The problem is to strike a satisfactory balance between the safety and operational viewpoints. A second illustration which is not so strained will better illustrate the point:

COMPANY X			
Cash	\$ 25,000		
Receivables	125,000		
Inventory	125,000		
Current Assets	\$275,000	Current Liabilities	\$137,500
Annual Sales \$1,000,000			

COMPANY Y			
Cash	\$ 25,000		
Receivable	100,000		
Inventory	100,000		
Current Assets	\$225,000	Current Liabilities	\$137,500
Annual Sales \$1,000,000			

Ratios		
Current Ratio	Co. X 2 to 1	Co. Y 1.64 to 1
Sales—Receivables	8 to 1	10 to 1
Sales—Inventory	8 to 1	10 to 1

working capital in Co. A affords a lot of extra protection to the creditor. The least misfortune might be fatal to B. Assuming the same misfortune hit both A and B, and even though to the moment of misfortune both met their current obli-

TO simplify the illustration, the Sales and the Current Liabilities of the X and Y companies have been made alike. Since both companies have like sales, let it be assumed both have the same costs. Since both X and Y have the same

income (from the same sales), the same expenses, and purchase the same amount of goods, it follows that one will meet its obligations with exactly the same ease, or difficulty, as the other. But let us look at the ratios.

Co. X's current ratio is 2 to 1 while Co. Y's is only 1.64 to 1. On the other hand, Co. Y's sales to receivables and sales to inventory ratios are better than the same ratios of Co. X. These may be termed compensating ratios. The higher sales ratios compensate for the low current ratio. Likewise the low sales ratios of Co. X are compensated by its higher current ratio.

Comparing the two companies it is apparent Co. X requires a \$25,000 larger investment in its receivables and a \$25,000 larger investment in its inventory than Co. Y. As compared with Co. Y, this is idle capital. If X is to operate with \$50,000 of its capital idle then X and not its creditors should furnish it. Since this is what X does (X net working capital \$137,500, Y net working capital \$87,500) the two companies present a stand-off from the operational viewpoint. Company X is the better risk to the extent that might be indicated by its extra net working capital of \$50,000. It is quite reasonable to assume that in a forced liquidation of the two companies, Company Y would realize a higher percentage of its assets than would Company X. This assumption follows from the fact that the assets of Co. Y appear to be of higher quality than those of Co. X.

The general conclusion, therefore, may be drawn that from an operational viewpoint there is no choice between Co. X and Co. Y but from the safety, or liquidation, viewpoint Co. X is superior though not so superior as might be indicated by its additional \$50,000 of net working capital.

In his daily work the analyst will never have so simple a problem to deal with as the one illustrated for he will probably never be confronted with the same coincidences in sales, liabilities and expenses. He will still have to use proper weighting and good judgment in drawing his conclusions. Fortunately for him this is so, for it is what makes his judgment valuable and his work interesting.